

Kahua Waiwai



Building A Foundation Of Wealth
'Ōpio Edition

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Hawaiian Community Assets would like to recognize the following partners that without their support *Kahua Waiwai, 'Ōpio Edition* would not have been possible:



Administration for Native Americans (ANA) promotes the goal of self-sufficiency and cultural preservation for Native Americans by providing social and economic development opportunities through financial assistance, training, and technical assistance to eligible Tribes and Native American communities, including American Indians, Alaska Natives, Native Hawaiians, and other Native Pacific Islanders organizations. ANA provides funding for community-based projects that are designed to improve the lives of Native children and families and reduce long-term dependency on public assistance.



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Office of Hawaiian Affairs (OHA) protects Hawai'i's people and environmental resources and OHA's assets, toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally.



Oweesta helps build strong Native institutions and programs through professional services designed to build local capacity and provide powerful tools for Native community development. Based on the Oweesta "Integrated Asset Building Model", their primary programs and services are training, technical assistance and consulting, capitalization, and research, policy and advocacy.



State Department of Humans Services (DHS) is committed to providing timely, efficient and effective programs, services and benefits, for the purpose of achieving the outcome of empowering those who are the most vulnerable in our State to expand their capacity for self-sufficiency, self-determination, independence, healthy choices, quality of life and personal dignity.

YouthVision (YV) serves our youth by providing a safe and positive environment, with quality programs which teach life skills that will develop young leaders, who will in turn, serve and give back to their communities.



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Table of Contents

Preface	vii
Acknowledgements	viii
Pre-Test	x
Introduction – Managing Resources Yesterday, Today, & Tomorrow	xiii
<i>Learn the history of Hawai'i's economy.</i>	
• Local economy from past to present	xiv
• Strengthening our economy	xv
Lesson 1 – Show Me the Money	1
<i>Learn the steps it takes to get a job and the basics of a paycheck.</i>	
• Steps to getting a job	2
• Employee benefits and available community resources	6
• Standard employment paperwork	9
• Factors affecting take-home pay	13
Lesson 2 – Savin' Up	17
<i>Learn basic strategies on managing and encourage saving.</i>	
• Needs vs wants	19
• Necessary expenses and the cost of unnecessary spending over time	21
• Short-, mid-, and long-term savings goals	23
• Monthly budget	24
Lesson 3 – Dat's My Bank	27
<i>Learn how to open and maintain accounts with financial institutions.</i>	
• Banks and credit unions	28
• Benefits of checking and savings accounts	29
• Opening and maintaining a bank account	32
• Writing a check and balancing a checkbook	37
Lesson 4 – Building Credit	47
<i>Learn how to build and maintain good credit and the effects of such.</i>	
• Credit and its importance	48
• Effects of good and bad uses of credit	50
• Building credit	52
• Credit reports and correcting credit errors	53

Lesson 5 – Credit Cards & Cars _____ **63**

Learn how to use and manage credit wisely.

- Using credit 64
- Using a credit card responsibly 65
- Getting a car loan 71

Lesson 6 – Surviving a Financial Emergency _____ **87**

Learn how to survive a financial emergency and the benefits and costs of insurance.

- Inflation and its affects on financial decisions 88
- Bankruptcy and debt 89
- Purpose of insurance 92
- Insurance process from enrollment to access 93
- Consumer fraud 95

Lesson 7 – Building a Career, Improving Your Community _____ **101**

Learn about building a career and improving community through financial planning.

- Life goal planning and post secondary education 102
- Microbusinesses and business plans 110
- Philanthropy and volunteering 114
- Filing income taxes 115

Lesson 8 – Planning for Our Future _____ **125**

Learn the costs and benefits of different housing options and how to pass on resources to future generations.

- Buying vs renting a home 127
- Living wills and living trusts 136

Post-Test 139

Glossary of Terms 142

Resources 149

Evaluation 154

Handbook Illustrators 155

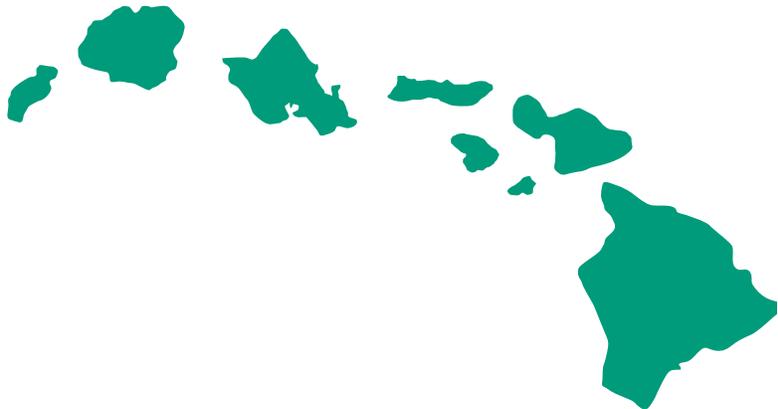
PREFACE

As the most isolated island mass in the world, Hawai'i has produced some of the best resource managers in human history. In traditional times, the Native Hawaiians used their expertise and skills to develop the kapu system (a complex resource management system) that relied on the hard work of everyone to provide for the needs of the community. Only as strong as its individual parts, each ahupua'a (self-sustaining communities stretching from mountain to sea) promoted conservation of the 'āina (land) and the passing on of "community wealth" to future generations. These basic concepts have faded into the background of modern Hawai'i, being replaced by over-consumption and idea of "individual wealth" and personal gain.

It is with this understanding that Kahua Waiwai, 'Ōpio Edition seeks to bridge gaps between the values of traditional Native Hawai'i and those of today, so that we can pass on economically self-sufficient communities to future generations. Our purpose is to enable community members to realize the values that formed the foundation of traditional Hawai'i's prosperity and shine a light on Hawai'i's future, by learning financial skills that help young adults make informed decisions for themselves, their family, and their community.

As you work through the following handbook, you will learn about:

- Strengthening the local economy
- Getting a job
- Developing a budget and savings goals
- Working with checking and savings accounts
- Building credit
- Using credit cards wisely
- Buying and owning cars
- Surviving financial emergencies
- Insuring your risks
- Planning and paying for college
- Improving your community
- Passing on your resources to the next generation



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- Hawai'i State Department of Human Services
- Office of Hawaiian Affairs

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- Keaukaha Focus Group Participants
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- Native Financial Education Coalition
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- YWCA Downtown Honolulu

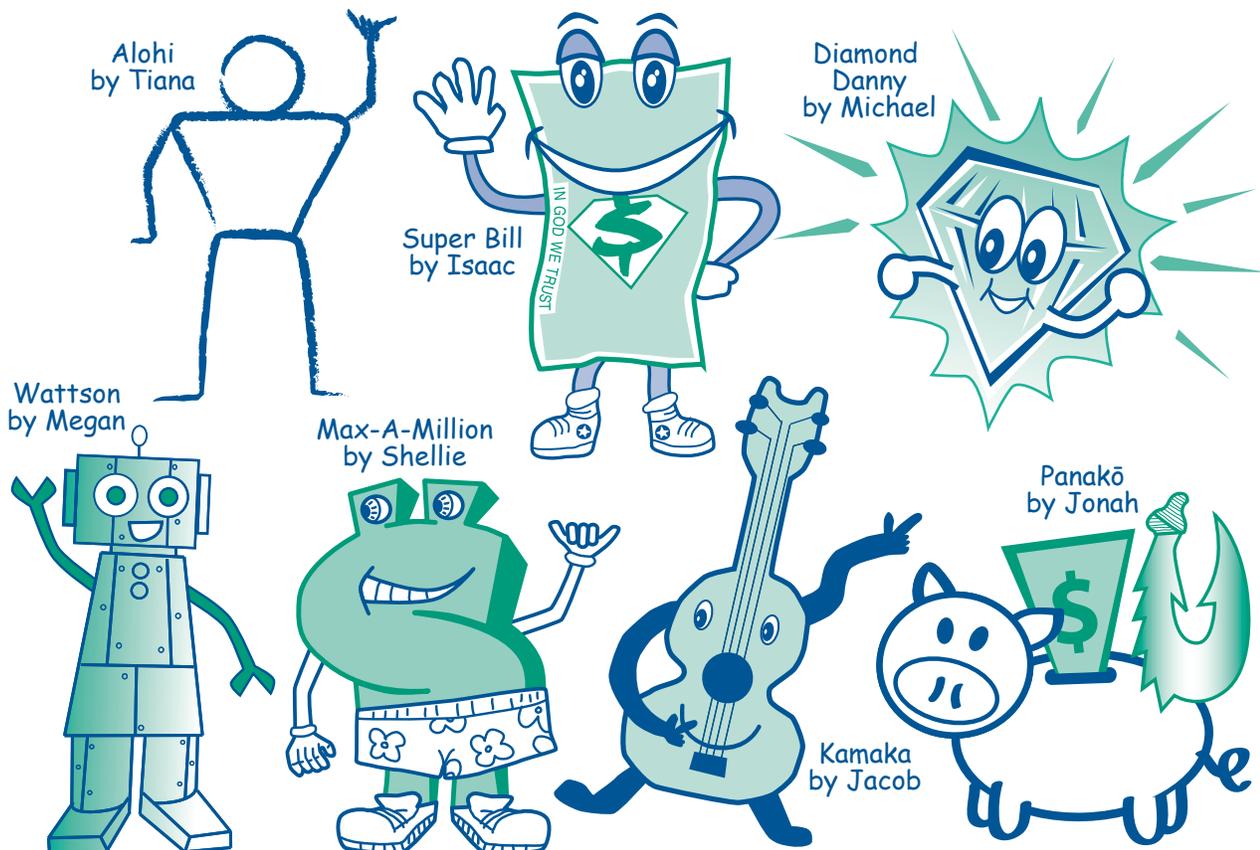
Most importantly, HCA would like to show its appreciation to the young adult groups who provided insight and leadership during the development of the handbook, so that it would speak to the realities of Hawai'i teenagers:

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- Shellie Benjamin
- Megan Amodo
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- Jonah Luning-Hoshino

*Bios and pictures included in the back of the handbook.



Introduction

Managing Resources Yesterday, Today & Tomorrow

The way a people organize to meet their needs is known as an **economy**. In traditional times, Native Hawaiians organized “locally” around the ‘ohana (single extended family unit) and relied on the hard work of everyone within the ahupua‘a (division of land from mountain to sea) to meet community needs. Together, community members would mālama ‘āina, or nurture the land, as they cultivated taro, fished and more, so it would in-turn generate resources necessary for the peoples’ survival. This type of community, where the people provide for their own needs, is known as a **subsistence economy**.

Living in this way, the Hawaiian people formed strong, sacred bonds with the ‘āina. With respect, humility, and appreciation for life coming before and after, they strengthened this bond by wisely managing resources and promoting conservation through the kapu system (complex resource management system within ahupua‘a). For instance, under the kapu system the ali‘i (chief) would appoint a konohiki (ahupua‘a land manager) whose kuleana (responsibility) it was to make sure food and other resources were managed so they lasted throughout the year. If the konohiki found a resource was being overused, they would advise the community to begin conserving so some of it could be saved for later use. Or, if konohiki found the resource was being depleted, they would establish a kapu (prohibition) for that particular resource and area. The community would then avoid gathering the resource so it could re-generate itself. This type of “sav- ings” allowed the ahupua‘a to sustain itself from generation to generation.



The kapu system also had a tribute system, which, similar to modern Hawai‘i’s tax system, pooled ‘ohana resources together and redistributed them fairly within the ahupua‘a to make sure everyone’s needs were met. This tribute system called on the maka‘āinana (common people of the land) to “pay” a portion of food and material gathered in “tribute” to the ali‘i through the konohiki. Upon examination of the tribute, the konohiki would be in-charge of paying the ali‘i his due and redistributing the rest of the resources within the ahupua‘a. By focusing on the health of each ‘ohana, the ahupua‘a, and the ‘āina, the Hawaiian people created prosperous local economies that, despite what happened outside of each ahupua‘a, could ensure the survival of its people for many generations.

While the kapu system is no longer in use, the practices and ideas of that time can still be applied today when managing our financial resources. Since the introduction of money and the **market economy** in Hawai‘i by Western missionaries and businesspeople, we have come to know that we buy goods and services to meet our needs, yet forgotten that we still rely on our partnership with the earth to produce these needs. This means now, more than ever, our survival is tied up with how

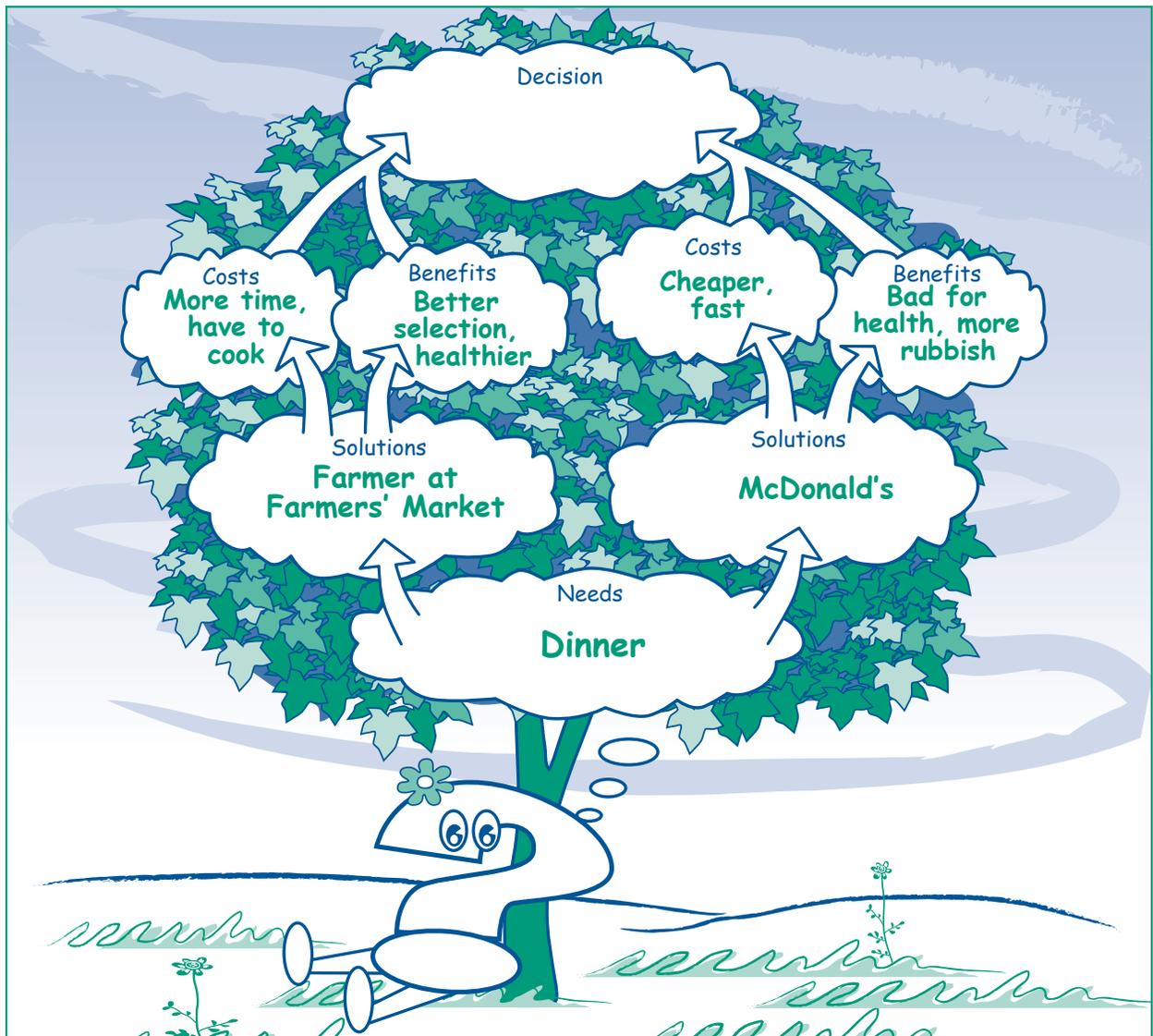
we manage our money and bills just as much as it is with how we manage food and the earth's other resources so we can have food to eat, a roof to sleep under, and clothes to wear.

Of course, managing our money and bills comes down to making wise financial decisions. During traditional times, the Hawaiian people knew their decisions would impact the future and therefore weighed the advantages (benefits) and disadvantages (costs) of every decision made. In fact, they were able to create a complex, self-sustaining economy that prospered for many years because they studied how their decision would not only impact themselves, their 'ohana, the ahupua'a, and the 'āina for the day, but how it would impact each of these seven generations into the future.

Today, we look to the Hawaiian people's decision making process and resource management practices to inform us on how to make wise decisions when managing both the earth's resources and our own financial resources - money and **assets** - so that we too can pass on healthy financial futures and a resource-rich land to our families, neighbors, and communities throughout Hawai'i.

Tree of Decisions Exercise

Weigh the advantages (benefits) and disadvantages (costs) of each solution in the Tree of Decisions below and make the best decision with the information provided. **Note:** The most valuable alternative (solution) you give up is known as your **opportunity cost**.



Strengthening Our Economy

The strength of Hawai'i's traditional economy was not only due to their connection with the 'āina, a strong values system, and wise decision making skills, but also due their expertise at managing resources on a local level. With everything a people needed for survival right inside their ahupua'a, Native Hawaiians did not have to rely on trade to live. Instead 'ohana could trade goods and services with one another and pool resources together as a community so they could best meet the needs of the ahupua'a.

Today we too can build a strong economy by managing resources at the local level. If we look to the Hawaiian people for their expertise, we can see how buying, or even trading, goods and services with our neighbors, local family members, and businesses owned by Hawai'i residents. keeps resources in our own communities. This



means as we spend our money at local businesses we are “funneling” financial resources directly into our community, which improves ours' and our neighbors' **wealth** and **standard of living** (see diagram below).

If we instead buy goods and services from people or businesses in the continental United States or in other countries, we simply send our resources – financial and natural – to other communities leaving us with less to meet our own needs. This means as we spend our money at non-local businesses we are sending our financial resources to other communities, while ignoring ours' and our neighbors' wealth and standard of living (see diagram left).



Local Economy Exercise

In the table below, list 10 items you have bought most recently and the businesses you bought them from. Then identify each business as “Hawaiian” (Native Hawaiian owner), “Local” (local owner) or “Not-Local” (owner outside of Hawai'i) and answer the questions (next page).

Item	Business	Hawaiian, Local or Not-Local
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

Questions

1. Where do you buy the most items? (Hawaiian, Local, or Non-Local businesses)
2. For all your purchases from Non-Local businesses, list a Hawaiian business and a Local business where you could buy the same item.

Item	Hawaiian Business	Local Business
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

3. List things you can do in your everyday life to help strengthen your local economy.

- _____
- _____
- _____
- _____
- _____
- _____

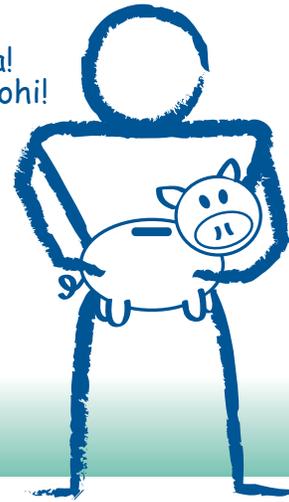
LEARNING BEYOND THE LESSON

On your own or with a group of friends, walk your neighborhood and list the businesses and services you see in the space below. Are there more Non-Local, Local, or Hawaiian-owned businesses in your neighborhood? How does that hurt or strengthen your local economy? Are there any goods or services your neighborhood needs, but does not have? Could you provide those goods or services with your own business? (See *Lesson 7* for more information on starting a business)

Lesson 1

Show Me The Money!

Aloha!
I am Alohi!



OBJECTIVES

In this lesson you will:

- learn the steps it takes to get a job;
- explore employee benefits and available community resources;
- look over standard employment paperwork;
- examine factors affecting take-home pay.

WHAT DO YOU THINK?

With a partner answer the following questions as either **True** or **False**.

- 1) _____ If you are 14 or 15 years old in Hawai'i, it is illegal for an employer to have you work more than 3 hours/day on a school day or 8 hours/day on a non-school day.
- 2) _____ If you are under 18 years old in Hawai'i, you do not need a work permit before you start working.
- 3) _____ As an adult, it is more likely that you will be unemployed and for a longer period of time, if you had become unemployed as a young adult.
- 4) _____ You choose how the taxes taken from your paycheck are used to support your community.

***Answers available on last page of the lesson.**

INTRODUCTION

Hawaiian culture is renowned as one of mastery. In fact, the Hawaiian peoples' survival during traditional times depended on their ability to pass on the mastery of such skills as canoe-building, kalo (taro) cultivating, and fishing to the next generation.

In each ahupua'a, kahuna and kumu (masters, teachers) were considered the leading experts in trades and arts. Their kuleana (responsibility) was to share their expertise with haumāna (apprentice, student), so that students could help provide for the ahupua'a and become masters themselves. Training was intense and the terms laepua, laeo'o, and lae'ula (flowering forehead, mature forehead and red forehead) referred to the haumāna having to pay close attention to the kahuna or kumu. Often times, the apprentice would need to study over a flame way into the night (hence, "red forehead").

When teaching the mastery of kalo farming, for example, haumāna would spend day and night learning about every aspect of the process. They would learn about the soil, planting, watering, weeding, harvesting, and finally, pounding kalo into poi. With this expertise Native Hawaiians were able to grow more, better quality taro, which would in-turn, feed more 'ohana.



Today we also rely on the passing of knowledge to future generations for our survival. We go to high school to learn basic skills, such as math, reading, and writing, so we can be prepared to earn money at a job. We also find apprenticeships to gain mastery in carpentry and electricity, or setup an internship to further our knowledge of working in non-profit organizations, businesses, or government agencies and public service. A growing number of us even take our mastery to another level and start our own business, as what are called entrepreneurs (business owners).

As we seek jobs, apprenticeships, and internships, or even start our own businesses, we can learn from the traditional relationship between kahuna/kumu and haumāna and understand our modern day responsibility of mastering skills so that we too can provide for our community and family, as well as pass our mastery on to future generations.

STEPS TO GET A JOB

In Hawai'i today, you have to earn money to buy your needs and this starts with getting a job. There are a few steps you have to learn before you can get a job. These include:

1. Assess your interests, abilities, and goals
2. Search for a job
3. Fill out an application
4. Write a resume and cover letter
5. Follow-up
6. Understand employee benefits
7. Interview
8. Evaluate job and choose
9. Get a work permit
10. Fill out a W-4 Form

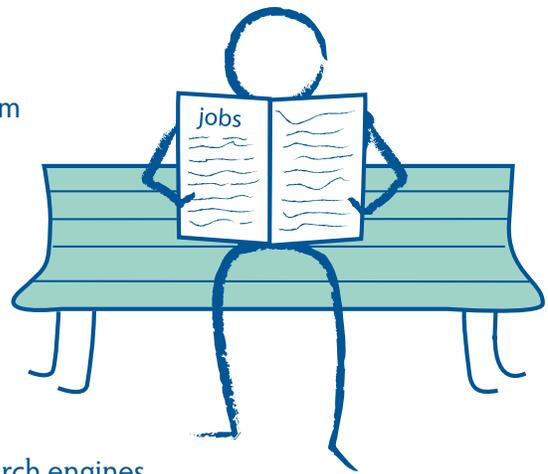
STEP 1: Assess Your Interests, Abilities, and Goals

Before you search for a job, you should ask yourself a few questions.

Interests, Abilities, & Goals Exercise

Answer the following questions to assess your interests, abilities, and goals.

- 1) What topics of study do you enjoy most in school?
- 2) What skills do you do well? What is your area of specialty?
- 3) What are your interests away from school or work?
- 4) Describe a situation in which you worked with a team to reach a goal.
- 5) Describe the kind of job you might like.



STEP 2: Search for a Job

You can search for a job on your own through internet search engines, using online and printed newspapers, at school through your career counselor, or through community organizations offering FREE job search services.

Remember when choosing a job, you have different options. If you want to be your own boss, you can start a business (more information in *Lesson 7*). You can also apply for an **internship** to build your skills in a specific professional field like government or nonprofit management or you can apply for an **apprenticeship** to become a part of the next generation of carpenters, plumbers, or electricians.

**For more information about young adult job search resources in Hawai'i see the Resources section.*

STEP 3: Fill out an Application

Most employers require that you fill out an application before you can be hired.

These applications include information about your personal background (i.e. address, contact info, etc), employment history (i.e. previous employer and job held), education (i.e. level of your education and where you attend school), and more.

When completing an application, be sure that you fill in the blanks neatly. You may also want to include a resume and cover letter when you submit it.

STEP 4: Write a Resume and Cover Letter

A **resume** is a personal data sheet commonly used to apply for a job. It lists your skills and experience so potential employers can see what you have already done and talk to **references**, or people who can verify information on your resume.

Personal Information Exercise

Write notes in each category to help you prepare your resume.

- 1) Education (degree/programs completed, school, location, areas of study, dates)
- 2) Work Experience (title, organization, dates, and responsibilities)
- 3) Other Experience (volunteer work, school, community activities)
- 4) Honors/Awards (title, organization, dates)

A resume can make or break your chances of getting a job. Below is resume format you can follow to make sure you include all necessary information.

[Street Address], [City & Zip Code], [Phone Number], [Email Address]		
[Your Name]		
Objective		
[Describe your career goal or ideal goal]		
Experience		
[Dates of employment]	Company Name	[City, ST]
[Job Title]		
<ul style="list-style-type: none">• [Job responsibility/achievement]• [Job responsibility/achievement]• [Job responsibility/achievement]		
[Dates of employment]	Company Name	[City, ST]
[Job Title]		
<ul style="list-style-type: none">• [Job responsibility/achievement]• [Job responsibility/achievement]• [Job responsibility/achievement]		
[Dates of employment]	Company Name	[City, ST]
[Job Title]		
<ul style="list-style-type: none">• [Job responsibility/achievement]• [Job responsibility/achievement]• [Job responsibility/achievement]		
[Dates of employment]	Company Name	[City, ST]
[Job Title]		
<ul style="list-style-type: none">• [Job responsibility/achievement]• [Job responsibility/achievement]• [Job responsibility/achievement]		
Education		
[Dates of attendance]	School Name	[City, ST]
[Degree Obtained]		
<ul style="list-style-type: none">• [Special award, accomplishment or degree minor]		
References		
References are available on request		

A **cover letter** should accompany your resume as an introduction of yourself and your resume to a potential employer. Below is a cover letter format you can follow to make sure you include all necessary information.

Your Contact Information

Name
Address
City, State, Zip Code
Phone Number
Email Address

Date

Employer Contact Information

(If you do not have it, look it up! It will show good initiative)
Name
Title
Company
Address
City, State, Zip Code

Greeting

Dear Mr./Mrs./Ms. Last Name (If you do not have a contact, address your letter to “Dear Sir or Madam”)

First Paragraph

The first paragraph of your letter should include information on why you are writing. Mention the position you are applying for and where you found the job listing. Include the name of a mutual contact, if you have one.

Middle Paragraph(s)

The next section of your cover letter should describe what you have to offer the employer. Mention specifically how your qualifications match the job you are applying for. Remember, you are not repeating your resume.

Final Paragraph

Conclude your cover letter by thanking the employer for considering you for the position. Include information on how you will follow-up.

Closing

Respectfully yours,

Signature

Handwritten Signature (for a mailed letter)

Typed Signature

Enclosure (if resume is also in envelope)

STEP 5: Follow-Up

After you fill out an application and send your resume with a cover letter, you should follow-up with your potential employer one week later. Doing this will show you are interested in the position and will offer you an opportunity to set up an interview, if one is required.

STEP 6: Understanding Employee Benefits

Before you set up an interview with a potential employer, it is important to have questions of your own to ask. You want to be sure you are clear about the job responsibilities and **employee benefits** provided by the employer

Read through the Employee Benefits table (below) describing some benefits employers provide their employees and mark which 3 are most important to you when choosing a job.

Employee Benefits

Benefit	Provides	To Receive
Health Care	Health care insurance through an employer-based plan to help cover costs of doctor's visits, prescriptions, hospitalizations, and more.	Some employers provide health care insurance at no cost to you while others require you to pay a share of the costs out of each paycheck (more in <i>Your Paycheck</i> section).
Vacation Time/Sick Leave	Paid, or non-paid, hours for employees to use as they wish (vacation time) or for employees who are sick and unable to work (sick leave).	Different for every employer.
Maternity Leave	Benefits and protections to employees who cannot work due to being pregnant or having just had a child. Under the Hawai'i Family Leave Law, employers provide four weeks of protected leave for the mother and father to care for the child. 10 days may be paid if the employer has a policy that provides for paid time off.	Different for every employer.
Retirement Savings Accounts	Savings programs for employee retirement. There are different types of retirement accounts, such as: Individual Retirement Accounts (IRAs): personal savings and investment accounts, also known as 401(k)s; offered as Traditional IRAs (employee does not have to pay taxes on the money until used) or Roth IRAs (employee pays taxes every year on money saved, but not when used)	If employer provides retirement savings accounts, you will decide how much money will be taken out of each of your paychecks to go directly into your account. Some employers will even match the total amount in your account up to a certain percentage of your annual earnings.
Education Assistance Accounts	Programs that assist employees with education and/or training costs. There are different types of education accounts, such as: Direct Pay Tuition Assistance: employer pays up front for the course, certificate, or degree program. The employee has no out of pocket expense. Reimbursed Tuition Assistance: employer pays for the course, certificate, or degree program after the employee has successfully completed the program. The employer may pay after each course or only after the certificate or degree is completed. Educational/Professional Development Travel Assistance: employer may pay for travel expenses related to travel to educational programs including courses at distant institutions or conferences/conventions. 529 College Savings Program: employer may offer a college savings program as a part of their benefits package. As a part of this program, the employer may match contributions made by the employee into the program.	Different for every employer. Some employers may request that you decide how much money will be taken out of each of your paychecks to go directly into a savings accounts or they may have an amount already set aside (and separate from your earnings) to be given to you after you have worked with the employer for a certain amount of time.
Discounts	Discounts on goods or services the employer provides. For example, if you work at a grocery store they may provide you with a 20% discount on all food you buy from them.	Different for every employer.

Since the employee benefits (on previous page) may not be offered by all employers, you should be sure to ask about each of these possible rewards.

NOTE: Once you get a job, **labor unions** can provide you the opportunity to organize with other workers to achieve common goals in key areas such as wages, hours, and working conditions.

**For information on employee benefits and/or Hawai'i labor unions see the Resources section.*

STEP 7: Interview

A job interview is your chance to show the employer what they will get if they hire you. A good way to prepare for an interview is to practice possible interview questions with a friend, family member, or neighbor.

Interview Questions Exercise

With a partner practice the following typical interview questions and write in your own answers to each question.

- 1) What are your strengths, weaknesses, and interests?
- 2) What qualifies you for this position?
- 3) How do you work under pressure?
- 4) Explain a personal experience where you had to work with a difficult person, how you handled it, and what the outcome was.
- 5) Describe a personal experience where you worked with a team.

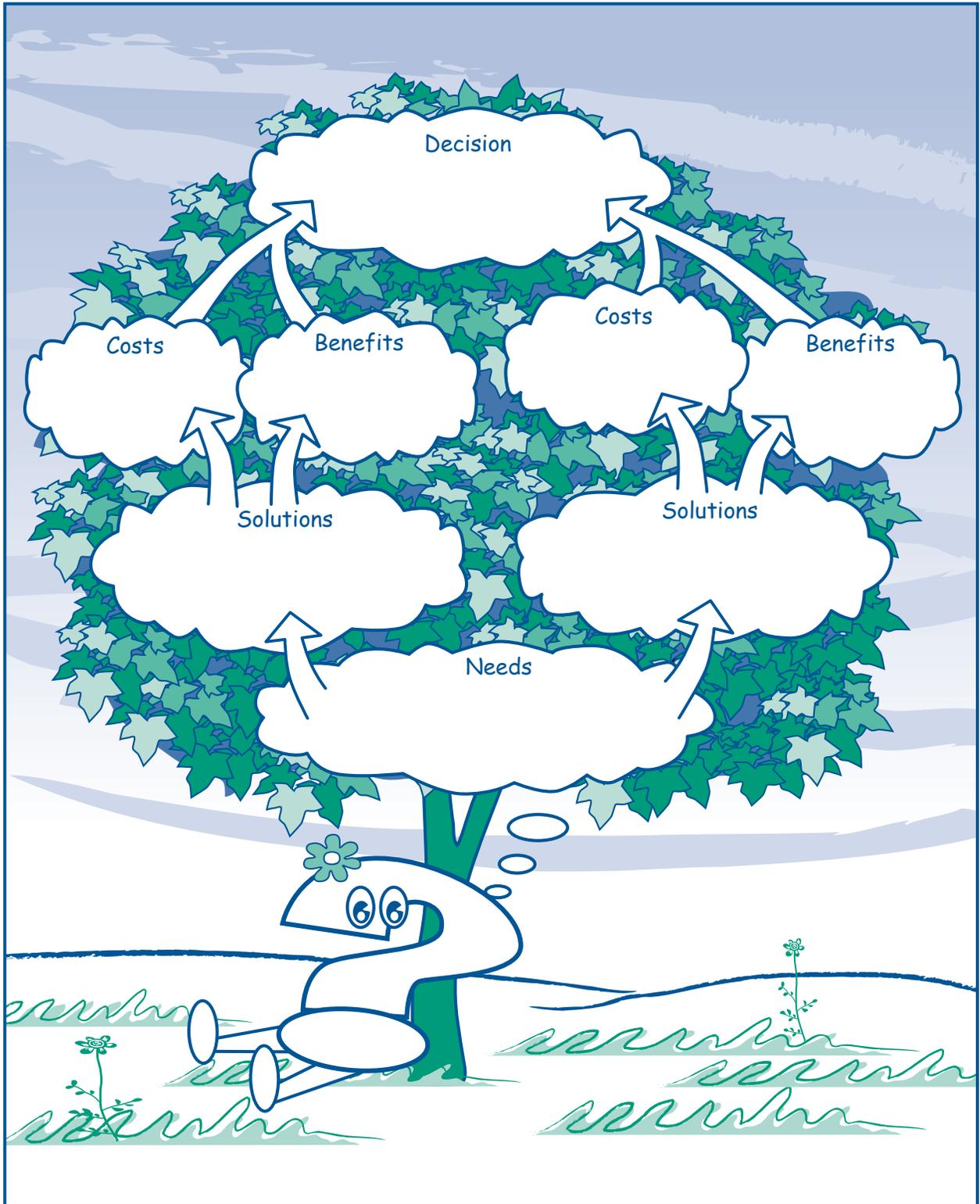
STEP 8: Evaluate Job and Choose

When choosing a job, it is important to balance what you need and want. You do this by evaluating your job opportunities. In this step, you look at what is important to you (i.e. pay, benefits, location of business, number of hours worked, etc) and choose the job that best meets your needs and wants.

Using the Tree of Decisions on the following page evaluate two different jobs and choose the one that best fits your needs and wants.

TREE OF DECISIONS EXERCISE

In traditional Hawai'i, it was common practice for the people to look at the advantages (benefits) and disadvantages (costs) of each decision. They were especially aware of how their decisions would impact the ahupua'a (community) and the 'āina (land). Use the Tree of Decisions below to weigh the benefits and costs of two different jobs. Think about employee benefits, location of job, pay, and hours as you make your decision.



STEP 9: Get a Work Permit

If you are under 18 years old in Hawai'i and you want to work, you will need a permit.

For 14 and 15 year olds this permit is called the **Minor's Certificate of Employment** and for 16 and 17 year olds this permit is called the **Child Labor Certificate**. Both of these certificates verify age, allow employment in the State of Hawai'i, and protect your rights as working young adults.

The following outlines the steps you need to take in order to get a Minor's Certificate of Employment and Child Labor Certificate.

Minor's Certificate of Employment

If you are 14 or 15 years old, the Minor's Certificate of Employment both recognizes and protects your rights as a working young adult in Hawai'i.

These protections state that your employer cannot make you work:

- 1) More than 3 hours per day on a school day and no more than 8 hours per day on a non-school day.
- 2) More than 18 hours per week during a school week.
- 3) More than 40 hours per week during a non-school week.
- 4) Before 7am and after 7pm on school days and the day before a school day.
- 5) Before 6am and after 9pm on non-school days and the day before a non-school day.
- 6) More than 6 consecutive days.
- 7) 5 consecutive hours without at least a 30-minute rest or meal period.

Once you are hired...

- 1) Discuss with your employer who will obtain the Minor's Certificate of Employment application.
- 2) Get a Minor's Certificate of Employment application from the Department of Labor and Industrial Regulations (DLIR) Child Labor Office or download it from the DLIR website (see *Resources* section).
This application must be completed and signed by your employer and a parent or guardian.
- 3) Have employer complete and sign the application.
- 4) Have a parent or guardian sign the application.
- 5) Return the completed application with (1) *acceptable proof of age document, either in-person or by mail. You may fax the application, but the original must be returned to the nearest DLIR Child Labor Office for a certificate to be issued.

***Acceptable Proof of Age Documents:**

Birth Certificate	Court record
Driver's license	Baptismal certificate
State of Hawai'i ID	Hospital record
Military ID	Immigration record (alien card, passport, visa)
School record (NOT school ID)	

NOTE: A social security card is NOT an acceptable proof of age document.

- 6) If the hours of work are approved and the work is not hazardous or prohibited, a temporary authorization slip will be issued, and the certificate will be mailed to the employer. You may start working as soon as you have a temporary authorization slip or the Certificate of Employment.
- 7) If you work for a new employer or in a new occupation, this same procedure must be followed again.

Child Labor Certificate

If you are 16 or 17 years old, the Child Labor Certificate recognizes your right to work as a young adult in Hawai'i. There are no restrictions on your hours. You can get your Child Labor Certificate if you have a job or not, but you will need it before you can start working.

To get a Child Labor Certificate...

- 1) Provide your employer with (1) *acceptable proof of age document.

***Acceptable Proof of Age Documents:**

Birth Certificate	Court record
Driver's license	Baptismal certificate
State of Hawai'i ID	Hospital record
Military ID	Immigration record (alien card, passport, visa)
School record (NOT school ID)	

NOTE: A social security card is NOT an acceptable proof of age document.

- 2) Apply online at DLIR Child Labor Office (see *Resources* section) or in-person, by mail, or by fax.
- 3) Give the nearest DLIR Child Labor Office (see *Resources* section) your name, last four digits of your social security number, home address, and phone number.
- 4) You will be issued a Child Labor Certificate to use until you are 18.
- 5) Your employer must verify your name and birth date on the Child Labor Certificate with the proof of age document, record the certificate number, and return the certificate and proof of age document to you.



STEP 10: Fill Out a W-4 Form

Once you have a work permit and are hired, you will need to fill out a **W-4 Form**, or the Employee Withholding Allowance Certificate. The W-4 Form is given to an employee at the time of hiring and determines how much money will go from the employee's paycheck to the Federal and State governments as taxes. This tax money is then pooled with tax money from other employees so that important services can be provided to the community as a whole. **Federal taxes** go to support the military and other United States government programs, while **State taxes** go to support schools, libraries, and other Hawai'i State government programs.

SUMMARY

Like the people of traditional Hawai'i, our survival depends on our ability to master certain skills and trades. Just as the **h**_____ had learned from **k**_____ and **k**_____ (masters, teachers), we look to "masters" in our community to prepare us so we can get jobs, take up apprenticeships and internships, start our own businesses, and finally, assume our place as masters with the **k**_____ (responsibility) of teaching future generations.

Preparation for any of these types of work first requires us to learn the steps it takes to earn positions as workers, apprentices, interns, or entrepreneurs (business owners). One of these steps includes understanding employee benefits like **I**_____ **R**_____ **A**_____, which allow us to start saving for our retirement and even get matching amounts of money from our employers for the money we are able to save in such accounts. Of course, before we choose a job we need to weigh the **b**_____ (advantages) and **c**_____ (disadvantages) of our decision, so that we can be sure to get one that is right for us. In modern Hawai'i, it is also necessary that we get a **M**_____ 's **C**_____ of **E**_____ (if 14 or 15) or a **C**_____ **L**_____ **C**_____ (if 16 or 17) from the local Department of Labor and Industrial Relations office before we start working. Along with work permit paperwork, we will also need to complete a **W**-**F**_____, or Employee Withholding Allowance Certificate, which tells us how much in **S**_____ **t**_____, **F**_____ **t**_____, and **d**_____ should be taken out of our paychecks. In the end, these taxes and deductions support programs like **S**_____ **S**_____ (United States government program that supports kūpuna with housing and food payments) and **T**_____ **D**_____ (Hawai'i state government program providing money in case employees injured outside of work).

Today, although our lives are very different than that of our ancestors, we carry the mastery of skills and trades just as kahuna/kumu passed their mastery on to haumāna during traditional times, so that we too can provide for our families, our communities, and ourselves, as well as prepare the next generation of masters.

STUDENT ASSESSMENT

Complete the following assessment by writing what you knew before the lesson, what you learned during the lesson, and what you want to know more about.

I Knew...

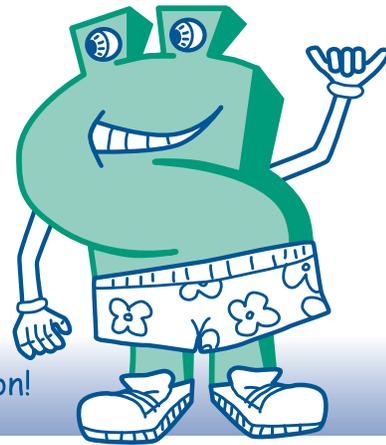
I Learned...

I Want to Know More About...

Lesson 2



with Max-A-Million!



OBJECTIVES

In this lesson you will:

- look at the difference between needs and wants;
- examine necessary expenses and the cost of unnecessary spending over time;
- set savings goals and a plan to reach them;
- create a monthly budget.

Page 17

WHAT DO YOU THINK?

With a partner answer the following questions as either **True** or **False**.

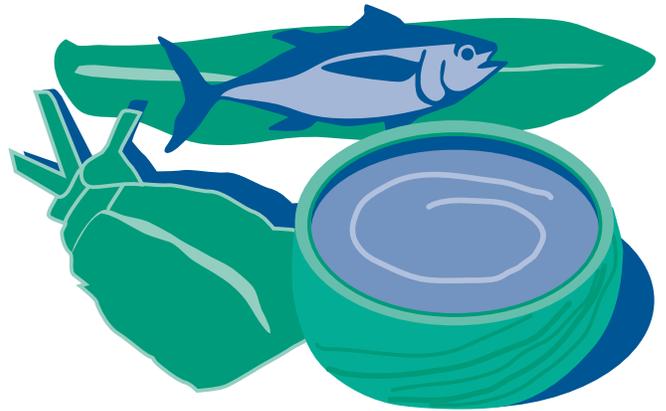
- 1) _____ On average, United States teenagers between the ages of 12 and 19 spent \$91/week in 2004.
- 2) _____ Half of all United States teenagers in 2000 said they had a written plan (budget) for their money.
- 3) _____ In 2000, the top two things teenagers typically saved money for were clothes and entertainment.
- 4) _____ It is estimated that United States families and singles eat out an average of 4 meals per week.

***Answers available on last page of the lesson.**

INTRODUCTION

Budgeting and saving are nothing new to the Hawaiian people. In fact, these concepts were common practice in managing resources within the ahupua'a for generations. When planning for the future, Hawaiians were careful to manage their precious resources and mindful of preserving various needs of the ahupua'a.

Hawaiians celebrated special occasions, successful harvests, or victorious battles with 'aha'aina (feasts) that often lasted for days. The preparation for these traditional 'aha'aina offers an excellent example of budgeting and saving, as it required proper planning (budgeting) and setting resources aside (saving). Months were spent gathering an abundance of poi (paste made from pounding taro root), dried fish, salted meats, sweet potatoes, and fresh fruits in anticipation for the feast.



Today, we continue the tradition of 'aha'aina in celebrating milestones like a baby's first birthdays, graduations, or a wedding. Parallel to the traditional practice of gathering, a family begins to prepare for a baby's first birthday lū'au (modern term for 'aha'aina) as soon as the child is born. It takes an entire year to prepare, plan and gather delicacies like 'opihi (raw limpets), and 'a'ama crab. This similar process of identifying and gathering resources for the modern lū'au provides a practical understanding of budgeting and saving.

Taking the two examples of managing resources in the ahupua'a and preparing for a baby's first birthday lū'au, we can apply lessons learned to our own ability of managing financial resources and to plan for our future.

CREATING YOUR BUDGET

Creating a budget is a step-by-step process. The same was true when setting up a resource management plan for an ahupua'a. To begin, the konohiki (ahupua'a land manager) would estimate the needs of the community based on what was used the year before (track). He or she then compared what was available to what was needed by the community (assess). Next, he or she would determine what portion would be set aside for future needs of the community (save). Finally, the konohiki would work with the community to set the plan into motion (take action).

Today, you can look to this successful resource management process as you budget your own money. Following this process will allow you to keep track of how much money you have flowing into your pocket and how it needs to be divided to meet your expenses and savings goals.

Before this process can begin, you first have to understand the difference between what you need to survive (needs) and what you do not need (wants).

NOTE: Do not confuse your wants with your needs. For example, you need food to survive, but you do not need to eat at a fancy restaurant to satisfy this need.

Needs and Wants Exercise

Write down your needs and wants below.

NEEDS =

WANTS =

STEPS TO SET UP A BUDGET OVERVIEW

Below is an overview of the steps you will be using to set up your own personal ***budget***.

- 1) **Track Needs:** Estimate what you spend by completing *Spending Tracker* worksheets and a *Monthly Spending Summary*.
- 2) **Assess Resources:** Compare the difference between your expenses and income by completing a *Monthly Income Summary* and *Cash Flow Statement*.

*Be sure to complete a *Debt Tracker* worksheet if you owe money to a business or another person as this will change your expenses.

- 3) **Save:** Use the total from your Cash Flow Statement to set realistic *Savings Goals*.
- 4) **Take Action:** Create a spending plan by completing *My Budget* with totals from all worksheets and summaries. Adjust as necessary over time.

STEP 2: Assess Resources

Compare the difference between your expenses and income by completing a *Monthly Income Summary* and *Cash Flow Statement*. Complete a *Debt Tracker* worksheet if you owe money to a business or another person as this will change your expenses.

Monthly Income Summary

Place the amount you receive monthly in take home pay from your job and other incomes from allowances, mowing lawns, delivering newspapers, etc.

Monthly Income Summary

How much do you earn in a month?

INCOME	AMOUNT
Take Home Pay	
Other Monthly Income	
TOTAL INCOME	

Page 22

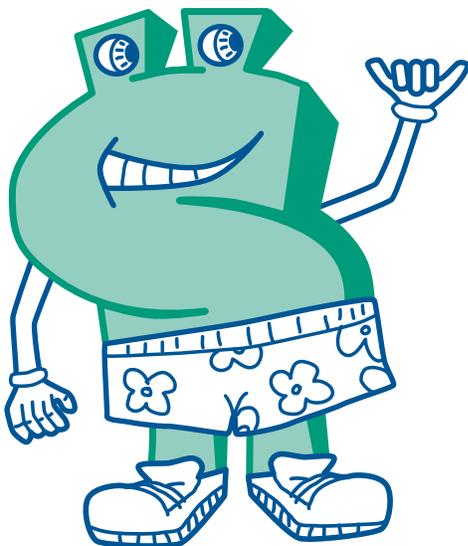
Cash Flow Statement

Place the total expense amount from your *Monthly Expense Summary* and the total income amount from your *Monthly Income Summary* in the following cash flow statement.

Cash Flow Statement

How much money do you have flowing in and out?

INCOME OR EXPENSE	AMOUNT
Total Income	
Total Expenses	
CASH FLOW TOTAL (= Total Income - Total Expenses)	



Debt Tracker Worksheet

*** SKIP THE DEBT TRACKER WORKSHEET IF YOU DO NOT OWE ANY BUSINESS OR PERSON MONEY.**

Complete the following *Debt Tracker* worksheet if you have **debt**, or owe a business or person money. Be sure to include the businesses you owe, how much, the interest rate, minimum payment required, and amount you can pay each month.

NOTE: The amount you can pay each month depends on the total from your cash flow statement.

Debt Tracker

Who and how much do you owe?

Business Owed	Total Amount Owed	Annual Interest Rate	Minimum Payment Required	Amount You Can Pay Each Month
Ex: Mastercard	\$1,500	19%	30%	\$50
Estimated total debt payment you can make each month:				

TIP: To keep from being charged excessive fees, it is best to pay your debt balances IN FULL at the end of each month.

STEP 3: Save

Use the total from your Cash Flow Statement to set realistic savings goals. **Savings goals** are statements about things you wish you could afford. Savings goals can be accomplished if you manage your finances and pay-yourself-first every time you earn money. An **emergency fund** is money set aside for unexpected expenses, such as living costs after losing a job. Even though it is important to save for savings goals, something unexpected may happen that requires your immediate attention.

Set your Savings Goals; short-term (3 months), mid-term (3 months – 1 year), and long-term (more than 1 year), and determine an amount to save for an emergency. Include the estimated costs of your savings goals, target date, and monthly amount you can save toward the goals.

Savings Goals

What are my future goals?

<p>SHORT-TERM (1-3 months)</p> <p>Goal: _____</p> <p>Estimated Cost \$ _____</p> <p>Target Date _____</p> <p>Monthly Amount \$ _____</p>	<p>MID-TERM (3 months - 1 year)</p> <p>Goal: _____</p> <p>Estimated Cost \$ _____</p> <p>Target Date _____</p> <p>Monthly Amount \$ _____</p>
<p>LONG-TERM (> 1 year)</p> <p>Goal: _____</p> <p>Estimated Cost \$ _____</p> <p>Target Date _____</p> <p>Monthly Amount \$ _____</p>	<p>EMERGENCY FUND</p> <p>Target Date _____</p> <p>Monthly Amount \$ _____</p>

STEP 4: Take Action

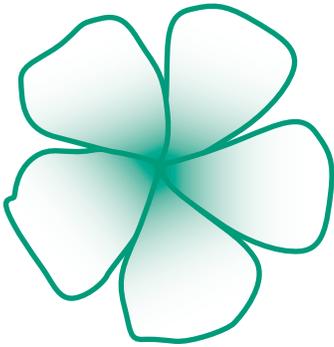
Create a spending plan by completing your budget with totals from all worksheets and summaries. Adjust as necessary over time.

My Budget

INCOME		AMOUNT	
INCOME	Take Home Pay		
	Money from Parents		
	Scholarships/Grants		
	Other Monthly Income		
	Total Income		
EXPENSES		AMOUNT	TYPE (fixed, flexible, luxury)
SAVINGS	Emergencies		
	Short-Term		
	Mid-Term		
	Long-Term		
	Subtotal		
LIVING	Rent		
	Utilities		
	Cable		
	Internet		
	Miscellaneous		
Subtotal			
TRANSPORTATION	Car Payment		
	Insurance		
	Fuel		
	Parking		
	Repairs		
	Public Transportation		
	Miscellaneous		
Subtotal			
FOOD	Groceries		
	Meal Plan		
	Dining Out		
	Miscellaneous		
Subtotal			
HEALTH	Doctor		
	Dentist		
	Eyes		
	Insurance		
	Miscellaneous		
Subtotal			
PERSONAL	Cell Phone		
	Entertainment		
	Clothing		
	Laundry		
	Miscellaneous		
Subtotal			
TOTAL EXPENSES			
TOTAL INCOME			
NET INCOME (= TOTAL INCOME - TOTAL EXPENSES)			

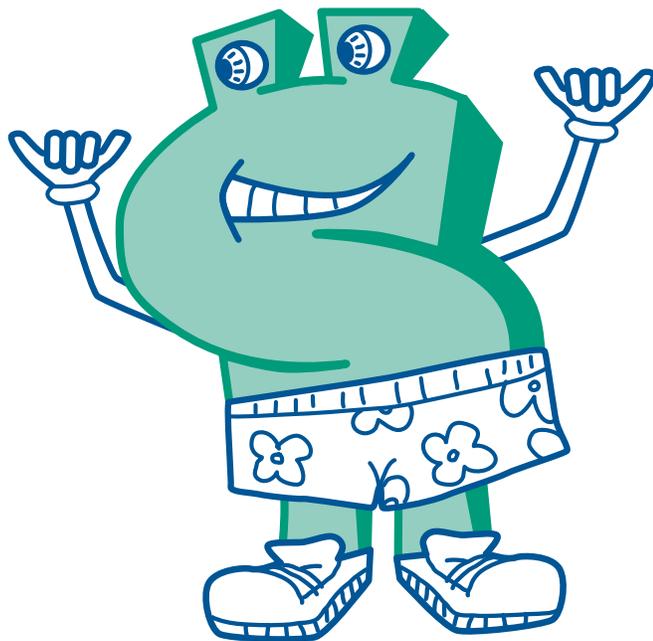
SUMMARY

B_____ and **s**_____ have been a part of Hawai'i since traditional times when the Native Hawaiians planned and prepared for '**a**_____' in order to celebrate special occasions. Without budgeting and saving resources, 'ohana would never have been able to afford to hold 'aha'aina which commonly featured an abundance of food for family and friends. The same is true today in Hawai'i as we plan and prepare for **I**_____ (modern word for 'aha'aina).



Whether we are planning for a lū'au or for our financial future, budgeting and saving requires us to create a **b**_____ (written plan for our money). However, before we can create a budget, we have to first identify our **n**_____ and our **w**_____. This gives us the chance to prioritize our spending on things we need to survive over things we desire, but do not need to survive. To continue with a budget, we must track how we spend our money and this includes identifying our three types of expenses; **f**_____, **f**_____, and **I**_____. When we compare these overall expenses with our overall income, we are creating a **c**_____ **f**_____ **s**_____. With this cash flow statement we know how much extra money we have available each month, which gives us the opportunity to set (and begin saving for) **s**_____ **g**_____. It is also suggested to save for an **e**_____ **f**_____ just in case something happens unexpectedly. Finally, with all this information we can complete a budget and determine our **n**_____ **i**_____ (= total income – total expenses). If this number is negative, we are spending more than we earn and heading for a financial disaster.

In modern Hawai'i, we look to the longstanding Hawaiian practice of budgeting and saving to provide us with a working model of how we can strengthen our financial future.



STUDENT ASSESSMENT

Complete the following assessment by writing what you knew before the lesson, what you learned during the lesson, and what you want to know more about.

I Knew...

I Learned...

I Want to Know More About...

LEARNING BEYOND THE LESSON

Compare your monthly income and expenses with an adult's monthly income and expenses. How will your income and expenses change when you are an adult living on your own? How might they change if you had a family of four?

Page 26

What do you think? Section answers.

1. True, according to figures released in a 2004 Teen Research Unlimited Study, teens aged 12 to 19 spent an average of \$91 per week, which comes to \$4,732 spent for the year. This weekly spending figure includes both money earned by teens and money given to them through allowances.
*Money Management International. "Teaching Teens About Money". (www.moneymanagement.org/Education/OnlineArticles/TeachTeensMoney.asp). Retrieved 8/18/2008.
2. False, only 13% of teenagers (or 1 in 10) in 2000 said that they had a written plan for their money. Teens with written plans are less likely than others to spend most of their money as soon as they get it, and they are more likely to seek saving or investment advice.
*2000 Merrill Lynch International Savings Month survey. (philanthropy.ml.com/ipo/resources/pdf/2000teen.pdf). Retrieved 8/18/2008.
3. False, in 2000 teenagers typically said they were saving money for college (42%) and a car (30%) while far less said they were saving for clothes (7%) and entertainment (1%).
*2000 Merrill Lynch International Savings Month survey. (philanthropy.ml.com/ipo/resources/pdf/2000teen.pdf). Retrieved 8/18/2008.
4. True, this is a 23% increase from just a few years before 2008. When you eat out you spend much more money on food than you would if you bought food from the grocery store. Tomorrow count how many fast food restaurants and grocery stores you see throughout the day. Are there more fast food restaurants or grocery stores? How might this impact how you spend your money on food?
*Money Management International. "Beat the High Cost of Eating Out". (www.moneymanagement.org/Education/Budgeting/EatingOut.asp). Retrieved 8/18/2008.

Lesson 3

DAD'S MY BANK!



OBJECTIVES

In this lesson you will:

- talk about financial institutions and how they operate;
- learn the steps it takes to open a checking/savings account;
- discuss the benefits of different accounts;
- understand how to use checking and savings accounts.

WHAT DO YOU THINK?

With a partner answer the following questions as either **True** or **False**.

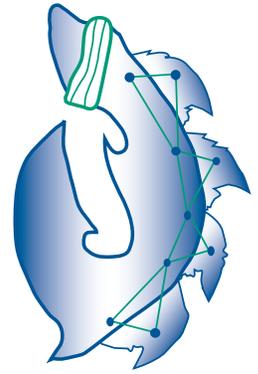
- 1) _____ In 2005, 1 out of 4 United States teenagers reported having a savings account.
- 2) _____ It is better to use a check cashing store and save money in a jar than it is to open a bank account, because you cannot trust banks or credit unions with your money.
- 3) _____ Only 1 in 3 United States teenagers in 2007 knew how to read a bank statement, balance a checkbook and pay bills.
- 4) _____ Money comes directly out of your bank account when you purchase something with a debit card (also known as check card or ATM card).

***Answers available on last page of the lesson.**

INTRODUCTION

Long before Hawai'i's modern banking system, Native Hawaiians developed a sophisticated and extensive method of banking their resources.

Hawaiian people have always looked to the ocean as a source of food, entertainment (surfing, swimming), and spiritual guidance. It is not difficult to see why their knowledge of fish, ocean currents, and tides is unmatched. In ancient Hawai'i, this knowledge led to the creation of the loko i'a (fishponds) which allowed Hawaiians to "bank" fish so they would grow over time and provide for more of the ahupua'a food needs.



Loko i'a were built and maintained through the cooperation of many! These massive structures stretched into the ocean from the shore's edge. As the seawater ebbed in, an abundance of fish would enter the loko i'a through the mākāhā (gate), but as the seawater ebbed out, semi-circular walls made from river boulders and coral would keep the fish in. The young, small fish that could pass freely between ocean and pond would stay inside to eat the limu (algae) until they grew too large to leave the pond. In this manner, the Hawaiian people used the natural flow of the ocean to effortlessly stock the pond (bank) and the natural growth of the fish to increase the amount of resources (interest) for the ahupua'a.

Similar to fish being "banked" in loko i'a, today, we rely on a modern banking system to store and grow our financial resources (money). Much like loko i'a, financial institutions such as banks and credit unions allow us to store our money in bank accounts and they help grow this money by paying us interest over time.

The success of the loko i'a in providing resources for the Hawaiian people during traditional times shows us the benefits today's banking system can have when growing financial resources to meet our community's needs. However, to allow for such growth and success, we must work as hard in understanding and maintaining our bank accounts as our ancestors did in understanding the ocean and maintaining the loko i'a.

FINANCIAL INSTITUTIONS

Financial institutions are businesses that provide you with a safe place to keep and grow your money. They also offer loans to help you buy a car or pay for school.

Read through the following table with a partner and choose which type of financial institution best fits you.

BANKS	CREDIT UNIONS
<ul style="list-style-type: none">• For-profit• Provides checking & savings accounts• Owned by shareholders• Serves the general public• Tend to offer higher loan rates, lower savings rates, and more fees	<ul style="list-style-type: none">• Non-profit• Provides checking & savings accounts• Owned by account holders• Serves members, who must share something in common, such as where they work, live, or go to church• Tend to offer lower loan rates, higher savings rates, and fewer fees

BENEFITS OF CHECKING AND SAVINGS ACCOUNTS

When you make choices about managing your money, it is important to consider all your options. There are many different kinds of accounts with specific benefits and different purposes. Checking and savings accounts are often the safest, most secure and least expensive way to manage your money.

A **checking account** is an account that allows you to write checks and deposit and withdraw money, while a **savings account** is a deposit account that pays interest and allows withdrawals.

Accounts Exercise

Read the *Story of Two Young Workers* to better identify the benefits of checking and savings accounts and complete the "What Are the Benefits?" table on the next page.

STORY OF TWO YOUNG WORKERS

Kalani got a job planting trees and restoring hiking trails with the State Parks and Recreation Department.

The first thing Kalani did with his first paycheck was cash it at the check cashing store.

Every time Kalani gets paid he cashes his paycheck at the check cashing store, which charges him a **service fee**.

Kalani keeps his money safe by sticking it under his mattress.

When Kalani wants to buy new shoes he has to pull cash from underneath the mattress.

If Kalani needs to make sure he has enough money for rent, he has to go home and count it.

Kalani finds a car he wants to buy so he can drive to work.

Kalani starts saving for the car by putting more money under his mattress after each time he cashes his paycheck at the check cashing store.

Eva got a job serving at 3 Frog's Cafe at Hapuna Beach Park.

The first thing Eva did with her first paycheck was open a checking account at a credit union.

Every time Eva gets paid she cashes it for free at her credit union.

Eva keeps her money safe by making a **deposit** into her account.

When Eva wants to eat out with her friends she writes a check or withdraws money from her account by using her **debit card**.

If Eva needs to make sure she has enough money for rent, she can go online, call her credit union, or get a balance inquiry from an **Automatic Teller Machine (ATM)**.

Eva finds a bike she wants to buy so she does not have to pay for expensive gasoline.

Eva starts saving for her bike by making an **electronic funds transfer (EFT)** to her savings account from her checking account and gets paid **interest** for keeping her money in the account.



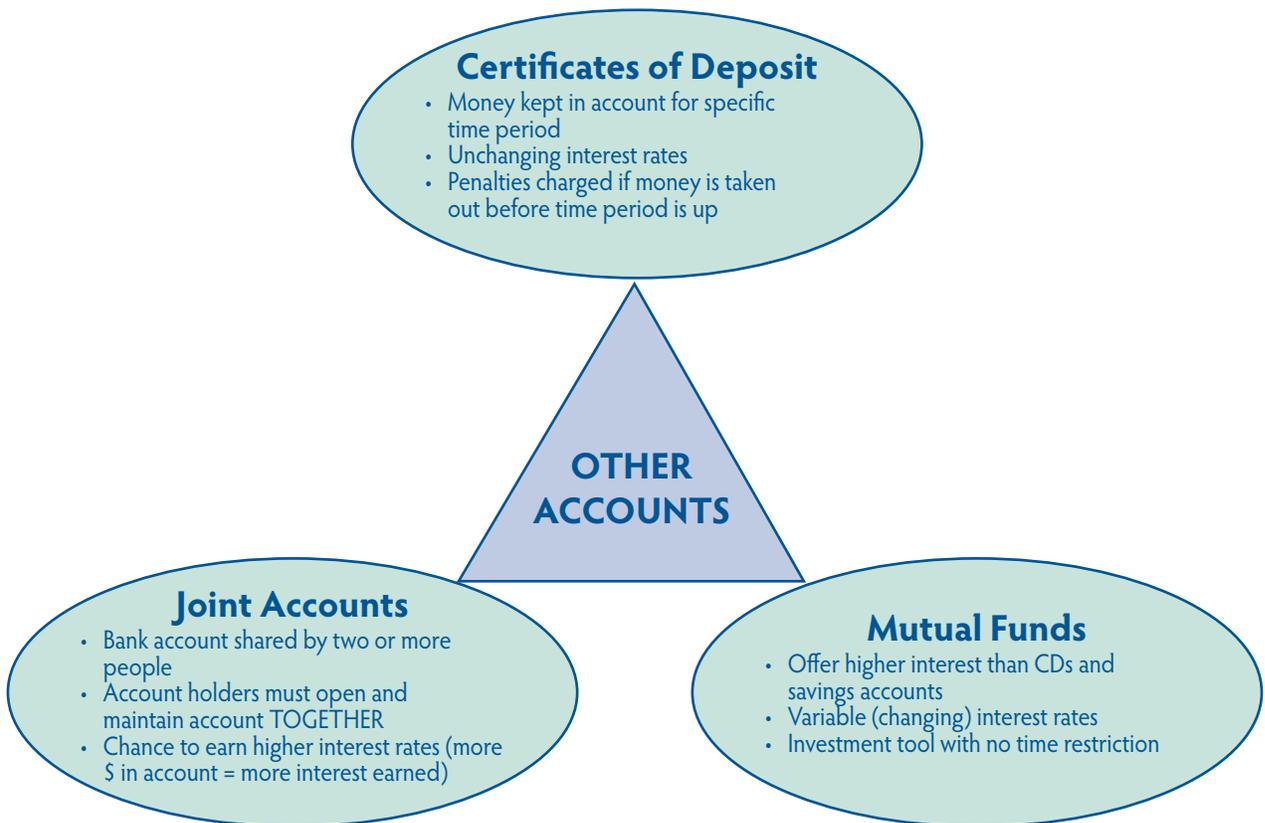
List the benefits of having a mattress fund like Kalani and having a checking/savings account like Eva.

WHAT ARE THE BENEFITS?

Mat ress Fund	Checking/Savings Account

Benefits of Other Accounts

Besides checking and savings accounts, there are other account options, such as **certificates of deposit (CD)**, **mutual funds**, and **joint accounts**. These options, as well as basic savings accounts, pay you for keeping your money in the account. This payment is called interest and is paid by the financial institution where the account is held.



TIP: Before opening a joint account with another person, setup ground rules on how you will use it. This helps keep you both on the same page and your account safe.

Interest

The interest you receive on accounts is calculated in different ways depending on the type of interest earned. **Simple interest** earning accounts only pay you for the money you deposit into your account. **Compound interest** earning accounts pay you for the money you deposit into your account and interest previously earned. With a compound interest earning account, you can calculate how long it will take to double your money by using the **Rule of 72** ($72/\text{interest percentage} = \text{years to double our money}$; if 12% interest, then $72/12 = 6$).

So...if I deposit \$100 into my **simple interest** earning savings account, after 1 year I will get paid \$5 ($.05 * 100 = 5$).

The next year I would get paid \$5 in interest again, unless I deposit more \$\$.

Or...if I deposit \$100 into my **compound interest** earning savings account, after 1 year I will get paid \$5 ($.05 * 100 = 5$).

The next year I would get paid interest on \$105, giving me \$5.25 ($.05 * 105 = 5.25$) without depositing more \$\$.



Calculating Interest Exercise

Calculate the interest you could be paid if you saved money for your long-term goal (from Lesson 2) in simple or compound interest earning accounts. Then use the Rule of 72 to calculate how long it would take to double your money in a compound interest earning account.

Calculating Simple Interest

Monthly Saving Amount:			
<i>* Calculate simple interest paid on your savings by using the following equation. (Monthly Savings Amount)*(Months Saved)*(Interest Rate) = (Interest Paid)</i>			
Interest Rate	12 month	24 month	36 month
2% (.02)			
4% (.04)			

Calculating Compound Interest

Monthly Saving Amount:			
<i>* Calculate compound interest earned by using the following equation. [(Monthly Savings Amount)+(Previous Interest Earned)]*(Months Saved)* (Interest Earned) = (Interest Paid)</i>			
Interest Rate	12 month	24 month	36 month
2% (.02)			
4% (.04)			

How long would it take to double your money saved for your long-term savings goal if kept in a compound interest earning account paying 4% interest? (Hint: Use the Rule of 72)

OPENING AN ACCOUNT

Opening an account is easy. Some financial institutions require you to deposit a minimum amount of money to open an account; others do not. Some financial institutions provide special loan and savings opportunities for young adults; others may not. Different banks and credit unions offer different services, so the most important thing is finding a financial institution and an account that best fit your needs.

To find the right financial institution and account, you have to walk through a few basic steps. These steps include:

- 1) Start a List
- 2) Shop Around
- 3) Pick the Account You Want
- 4) Provide Your Information
- 5) Agree to Terms
- 6) Sign and Date Signature Card

STEP 1: Start a List

It is important to find a financial institution that fits your needs. For example, if you go to school during the day and work evenings, you might not have time to drive across the island to go to your credit union everyday. So you might choose a financial institution with online banking or ATM's near your work or school so you can make deposits and withdrawals throughout the day. Another example, could be that you need to start saving to pay for college or a car, so you might look at which financial institutions offer the highest interest rates on savings accounts.

Choosing a Financial Institution Exercise

Complete the following questions to help you when choosing a financial institution.

Before you visit a bank/credit union

- What time of day do you expect to do most of your banking?

- What's important to you in a banking relationship? Interest rates, local-ownership, etc?

After you visit a bank/credit union

- What fees does the institution charge? ATM charges, check fees, etc?

- Do you feel comfortable with the institution?

After you have answered the questions above, make a list of the different banks and credit unions in your area so you can be sure to explore all your options.

Your List of Banks & Credit Unions	
In neighborhood...	
Near school...	
Near work...	

STEP 2: Shop Around

The easiest way to shop around is to find the websites of financial institutions in your list from Step 1. You can actually open a bank account online at any hour, anywhere. However, if you want to find out more about the institution or open a bank account in-person, you can simply go to the branch during business hours and ask for help.

STEP 3: Pick the Account You Want

Financial institutions have a variety of account types and services that you can mix and match.

Through the internet, you can drill down the account that is right for you. You might click "Open Bank Account", and then click "Checking", and finally "Free Checking". If you open a bank account in-person, you can talk with a banker who will help you open the best account for your needs.

Mix and Match Exercise

Use the form below when choosing an account to make sure you pick one that is right for your needs.

- 1) **Use:** I need an account for _____.
(savings, pay bills, build credit, etc)
- 2) **Hours:** I will do my banking between _____ and _____.
(time of day) (time of day)
- 3) **Location:** Is the financial institution open during the hours listed above? __ Yes __ No
If no, do they have ATMs available near my home, school, or work? __ Yes __ No
- 4) **Fees & Charges:** Are there monthly or ATM fees, fees per check, or charges for using the account? __ Yes __ No
- 5) **Interest:** Does the account earn interest? __ Yes __ No
If "yes", what is the interest rate? _____.

 **TIP:** When choosing a savings account, financial institutions are required by the *Truth in Saving Act* to tell you fees on the account, interest rates, other terms and conditions, and the *annual percent yield (APY)*, which tells you the total amount of interest paid, and how often paid, in one year.

- 6) **Restrictions:** Do I have to deposit a minimum amount of money to open the account?
__ Yes __ No
If yes, how much do I have to deposit? _____.
- 7) **Special Features:** Does the account offer direct deposit, automatic payments, online/telephone banking, or discounts? __ Yes __ No
If yes, what special features are most important to me? _____
_____.

STEP 4: Provide Your Information

In order to open an account, you must provide some information to the financial institution. They do not open bank accounts without certain details about you. This is to protect them and you against any risks.

You will need to provide simple details, including:

- your name and address
- birth date
- identification numbers (i.e. Social Security Number)
- State ID or Driver's License number

If you do this online, you just type the information into a textbox. If you open an account in-person you can hand your ID's over to the banker who will probably make photocopies.

If you are opening a joint account, the information above will need to be provided by every person sharing the account.

STEP 5: Agree to Terms

When you open a bank account, you are forming a relationship based on a very touchy subject – your money. This means you should know what you are getting into before you sign the dotted line.

If you open an account in-person, the banker will hand you a list of rules and terms you will need to read and agree to follow. If you open accounts online, you complete this step by clicking an "I Agree" (or similar) button and performing the next step.

STEP 6: Sign and Date Signature Card (If Applicable)

If you open accounts in-person, you will need to sign and date a *signature card* (example below). A signature card is the form signed by a depositor (you) to officially open an account at a financial institution. Institutions also use this card to confirm that the signature on your checks is yours, so your money can be kept safe. **DO NOT INCLUDE YOUR SOCIAL SECURITY NUMBER ON THE EXAMPLE BELOW.**

If you are opening an account online, you will probably have to print, sign, and mail a document to the bank before the account is opened. The account will not be active until they receive the document.

If you are opening a joint account, every person will need to complete a signature card.

1 Your First Bank	ACCOUNT NUMBER _____
	DATE _____
SIGNATURE AUTHORIZATION CARD	
NAME _____	TYPE OF ACCOUNT
ADDRESS _____	Individual
PHONE _____	Joint
SOCIAL SECURITY NO. [] [] [] - [] [] - [] [] [] []	Business
	Partnership
<small>YOU ARE HEREBY AUTHORIZED TO REGONIZE ANY OF THE SIGNATURES SUBSCRIBED HERE IN THE PAYMENT OF FUNDS OR THE TRANSACTION OF ANY BUSINESS FOR THIS ACCOUNT. IT IS AGREED THAT ALL TRANSACTIONS BETWEEN THE BANK AND THE DEPOSITOR SHALL BE GOVERNED BY THE CONTRACT PRINTED ON THE REVERSE SIDE OF THIS CARD.</small>	
_____ AUTHORIZED SIGNATURE	_____ AUTHORIZED SIGNATURE
<small>*If you wish to use two signatures, sign both signatures on the form.</small>	

USING AN ACCOUNT

Using a bank account is more than just knowing how to write a check. When using an account you have to understand what you are expected to do and what the financial institution does with your money.

In the following sections you will learn how to:

- Make a Deposit
- Write a Check
- Use a Check Register
- Read an Account Statement
- Balance a Checkbook
- Use an ATM Card
- Prevent Forgery
- Manage an Account

Read the story in each of the sections and complete the blank deposit slips, checks, check register, and more accordingly.

Making a Deposit

Making a **deposit** is when you put money into your account. Each time you make a deposit, you will need to complete a deposit slip. You will find a deposit slip in the back of your checkbook or at your financial institution.

 Kanaka Credit Union 1221 Main Street Anywhere, HI 10001	CASH	Currency	3	
	4	Coins		
Date 1	List Checks:		5	
Name _____				
Address 2				
_____ 9		SUBTOTAL	6	
SIGN HERE IF CASH RECEIVED		LESS CASH RECEIVED:	7	
		NET DEPOSIT	8	
32112 321 34890491 01				

- Steps:**
1. Write the date you are making the deposit.
 2. Write your name and address.
 3. If you are depositing currency (cash), write in the total amount.
 4. If you are depositing coins, write in the total amount.
 5. Write the amount of each check. Make sure to **endorse**, or sign your name, on the back of all checks deposited.
* If you are depositing more checks than can be listed on the front, continue listing the checks on the back of the deposit slip.
 6. Add currency, coins, and all checks, and record the total (subtotal).
 7. If you want to deposit a portion of your money and receive some cash back, write the amount of cash you would like to receive.
 8. Write in your final total deposit (net deposit). You will want to subtract the amount of cash you received back from your subtotal.
 9. If you choose to receive cash back, sign the signature space in front of the teller.

Story

On 8/15/2008 you open a checking account. Your beginning balance is \$600.

You get your first paycheck on 8/18/2008 for \$256.17. On the same day, as you come home from work, you stop at the Kanaka Credit Union, endorse the check, fill out the deposit slip, and successfully deposit your paycheck into your checking account.

Check Endorsing Exercise

To the right, sign your name (endorse) the back of the check to be deposited.

ENDORSE CHECK HERE	
X	_____

DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE	

Deposit Slip Exercise

Fill out the deposit slip below according to the story on the previous page.

 Kanaka Credit Union 1221 Main Street Anywhere, HI 10001	<table border="1"> <tr> <td rowspan="2">CASH</td> <td>Currency</td> <td></td> <td></td> </tr> <tr> <td>Coins</td> <td></td> <td></td> </tr> </table>	CASH	Currency			Coins																			
	CASH		Currency																						
Coins																									
Date _____ Name _____ Address _____ _____ SIGN HERE IF CASH RECEIVED	<table border="1"> <tr> <td>List Checks:</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>SUBTOTAL</td> <td></td> <td></td> </tr> <tr> <td>LESS CASH RECEIVED:</td> <td></td> <td></td> </tr> <tr> <td>NET DEPOSIT</td> <td></td> <td></td> </tr> </table>	List Checks:															SUBTOTAL			LESS CASH RECEIVED:			NET DEPOSIT		
List Checks:																									
SUBTOTAL																									
LESS CASH RECEIVED:																									
NET DEPOSIT																									
32112 321 34890491 01																									

Writing a Check

If you have a checking account, you can write checks. Checks are used for paying bills and making purchases when you do not want to use cash. Checks allow you to use the money in your account to pay for things without having to withdraw cash. If you are sending money through the mail, it is much safer to write a check.

Name Address City, State, Zip Code	DATE _____ 1	100
PAY TO THE ORDER OF _____ 2		\$ _____ 3
_____ 4	VOID	_____ DOLLARS
 Kanaka Credit Union 1221 Main Street Anywhere, HI 10001	_____ 5	
FOR _____ 6		
 85721912 2878867297 0100		

Steps:

1. Fill in today's date.
2. Write the name of the person or company you are paying.
3. Enter the dollar amount of the check in numbers.
4. Write out the dollar amount in words. Follow the dollar amount with the number of cents written as a fraction over 100. For example, 87/100. If there is leftover space on the line, draw a line through the rest of the line.
5. Sign the check the same way you signed your signature card.
6. Write the purpose of the check on the "For" line. If you were paying a bill, you would write the account number here.
7. If you make a mistake writing a check, you may need to write another one. On the check that you made a mistake, write "VOID" across the face of it.
8. Make sure you have recorded the check in your register.

Check Writing Exercise

Story

On your way home from Kanaka Credit Union, you see that your gas is low. You pull into Takeuchi Gas and Go and put \$25.00 worth of fuel in your car. Remember it is still 8/18/2008.

Before you head home for the night, you cruise across the street to Foodland to buy groceries for the next week. You do not bring a grocery list, so you end up spending more than you wanted. At the counter you write a check for \$74.88 to cover the grocery bill.

When you get home your roommate hands you a stack of letters – one from mom, one from a credit card company, and your Verizon cell phone bill for \$56.93. The next day (8/19/2008) you write a check and mail it in with your bill statement.

A couple weeks pass and the only other withdrawal is when you go to the ATM on 8/28/2008 and use your debit card to take out \$20 so you can go to the movies with friends. Four days later (9/1/2008) you write a check for \$615.00 to Boteilho Properties for rent.

Name Address City, State, Zip Code	DATE _____	101
PAY TO THE ORDER OF _____	\$	<input type="text"/>
_____		DOLLARS
 Kanaka Credit Union 1221 Main Street Anywhere, HI 10001		
FOR _____		
 85721912 2878867297 0101	\$	



Name _____
 Address _____
 City, State, Zip Code _____ DATE _____ 102

PAY TO THE ORDER OF _____ \$

_____ DOLLARS

 Kanaka Credit Union
 1221 Main Street
 Anywhere, HI 10001

FOR _____

 85721912 2878867297 0102

DATE _____ 103

PAY TO THE ORDER OF _____ \$

_____ DOLLARS

 Kanaka Credit Union
 1221 Main Street
 Anywhere, HI 10001

FOR _____

 85721912 2878867297 0103

Name _____
 Address _____
 City, State, Zip Code _____ DATE _____ 104

PAY TO THE ORDER OF _____ \$

_____ DOLLARS

 Kanaka Credit Union
 1221 Main Street
 Anywhere, HI 10001

FOR _____

 85721912 2878867297 0104

Using a Check Register

A **check register** is a tool for keeping track of the daily balance in your checking account. When you have a checking account, it is VERY important that you keep track of how much money is in your account. You NEVER want to write a check for more money than you have in your account, otherwise you will be charged a fee.

Reading Your Account Statement

At the end of the month you will receive an **account statement**. Your account statement is a record of your account activity over a specific period of time.

KANAKA CREDIT UNION		
LEeward BRANCH 4444 THIS STREET ANYTOWN, HI 00000-0000		FIRST CHOICE CHECKING ACCOUNT
CUSTOMER SERVICE 24 HOURS		ACCOUNT 12345-678910
YOUR NAME 1234 MAIN STREET ANYTOWN, HI 00000-0000		STATEMENT PERIOD 8-1-2008 TO 8-30-2008
SUMMARY OF YOUR ACCOUNT		
CHECKING		SAVINGS
BEGINNING BALANCE	600.00	
DEPOSITS	250.00	
WITHDRAWALS	176.81	
SERVICE CHARGES/FEES	6.00	
ENDING BALANCE	673.36	
CHECKING ACTIVITY		
DEPOSITS POSTED	AMOUNT	DESCRIPTION
8/18/08	256.17	DEPOSIT
WITHDRAWALS CHECK NO.	PAID	AMOUNT
101	8/19/08	25.00
102	8/19/08	74.88
103	8/21/08	56.93
CHECKING ACTIVITY		
AMOUNT	DESCRIPTION	
6.00	MONTHLY SERVICE CHARGE	

Balancing a Checkbook

Balancing your checkbook is comparing the personal records you have kept in your check register with your account statement (above). It is also called reconciling your checkbook with your account statement. After all transactions have been recorded in both places, the balances should be the same. Outstanding items are transactions recorded in your check register, but are not included on your account statement.

Balancing your checkbook each month helps you make sure that you know where and how you spend your money. One of the most often overlooked "withdrawals" is bank service charges or other "automatic" withdrawals. Make sure to record all transactions in the check register. Neglecting to balance a checkbook can result in bounced checks and inaccurate balances.

Managing Your Account

As you use your account to manage money, there are a number of issues to keep in mind.

Timing

Timing is very important. Many people get confused about the timing of checking account deposits and withdrawals. When you deposit money into your account, there is usually a delay before you can access the funds. You will want to check with your financial institution to understand its policies on availability of funds.

When you write a check, your account balance will not be affected until the check is cashed. Therefore, your account balance may appear higher than it really is. Be careful not to spend money that you have already committed in a written check. Use your check register to keep track of your account balance.

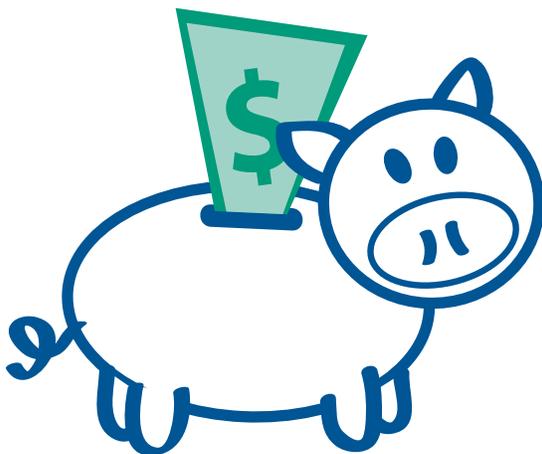
Bouncing Checks

A check bounces when you write a check, but do not have enough money in your account to cover its dollar amount. When a check bounces, the financial institution will charge you a significant penalty fee (\$15 to \$50). This charge will appear on your statement as NSF (non-sufficient funds). You may also receive a letter from your financial institution stating that it is charging your account a fee for a bounced check. The financial institution usually sends the check back to the person who tried to cash it and indicates that there was not enough money in your account to cover the sum.

On top of bank fees, a business will often charge you a fee or penalty for bouncing a check. Because the business did not receive payment from the financial institution, it will want you to pay your bill. Many businesses will keep track of people who have written bad checks. In the future, they will not accept these people's checks. You can avoid this by providing on-time and complete payments.

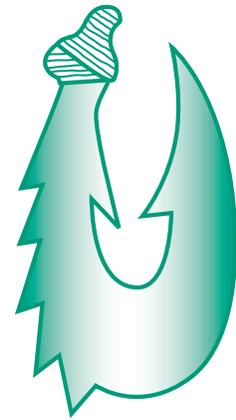
SUMMARY

Long before Hawai'i's modern banking system, Native Hawaiians "banked" and "grew" resources in traditional **I**_____ (fishponds). These fishponds are examples of how the Hawaiian people worked with the natural energies of the ocean and sea life to create a system of banking and growing resources within the ahupua'a.



Even though many loko i'a still exist in Hawai'i today, most of us rely on the modern banking system to bank and grow our financial resources (money). In this system, financial institutions, like **b**_____ and **c**_____ **u**_____, allow us to keep our money safe in accounts that earn **i**_____. The two most simple, least expensive bank accounts are **s**_____ **a**_____ (deposit account that pays interest and allows withdrawals) and **c**_____ **a**_____ (allows writing checks and depositing and withdrawing

money). Other accounts, such as **c**_____ of **d**_____ and **m**_____ **f**_____ also earn interest like savings accounts, but tend to offer higher interest with or without higher risk. Regardless of which account(s) we choose to open, different types of interest help us grow our money. For instance, **s**_____ **i**_____ is interest that pays us ONLY for the money we have deposited into an account, while **c**_____ **i**_____ is interest that pays us for ALL the money in the account whether we deposited that money or earned it in interest previously. If we are trying to calculate how fast we could double our money in a compound interest earning account, we can simply use the **R**_____ of **7**_____.



With this background information on banking and accounts, we can be sure to open our account with the financial institution that best fits our needs. Once opened, an account does not take care of itself. Like the loko i'a in traditional Hawai'i, bank accounts take a lot of hard work to maintain. This means knowing how to make a **d**_____, write a **c**_____, use a **c**_____ **r**_____ to record our **t**_____ (financial actions impacting our bank account), read an **a**_____ **s**_____, and balance our **c**_____ **b**_____. It is also important that we know how to use an **a**_____ **t**_____ **m**_____ (ATM) safely, prevent forgery, and maintain our accounts so we do not bounce checks.

As we use the modern banking system to bank and grow our financial resources, we can follow the example of the traditional Hawaiian loko i'a and use today's system as a tool to better serve the needs of our communities, as well as our own needs.

STUDENT ASSESSMENT

Complete the following assessment by writing what you knew before the lesson, what you learned during the lesson, and what you want to know more about.

I Knew...

I Learned...

I Want to Know More About...

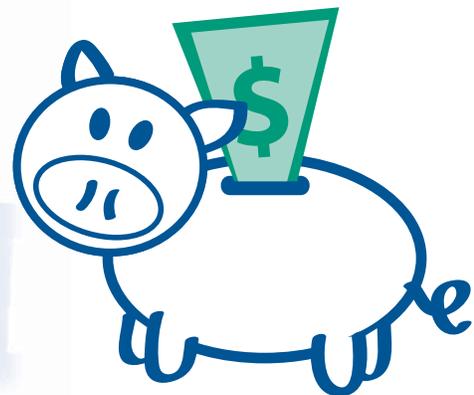
LEARNING BEYOND THE LESSON

Go to a local bank or credit union on your own or with an adult. Follow the steps in the lesson to open an account that fits your needs. If you already have an account, look into other options like CDs and mutual funds.

NOTE: Be sure to ask appropriate questions that are important to you when opening an account and/or choosing a financial institution.

What do you think? Section answers.

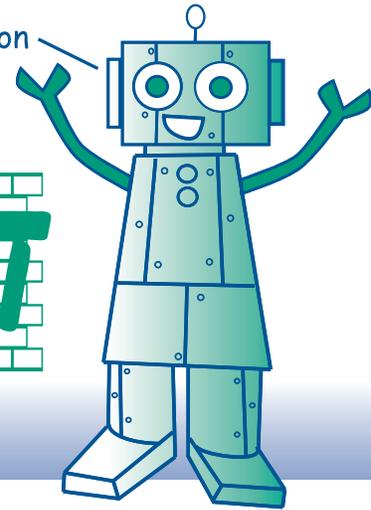
1. False, 68.5% or almost 3 out of 4 United States teenagers reported having a savings account in 2005.
*JumpStart Coalition 2005 study. (www.jumpstart.org). Retrieved 8/19/2008.
2. False, if you cash a check at a check cashing store you will have to pay high fees, while if you open a bank account at a bank or credit union you can cash a check for free. The **Federal Deposit Insurance Corporation (FDIC)** is a United States government program that insures deposited money up to \$100,000 in accounts (\$200,000 in join accounts) held at banks and credit unions. This means if anything were to happen to the bank or credit union, you are guaranteed to get back the money in your account up to \$100,000 no matter what.
3. True, statistics also show that only 1 in 5 know anything about investing.
*Charles Schwab Teens and Money 2007 Survey.
(www.aboutschwab.com/teensurvey2007.pdf). Retrieved 8/19/2008.
4. True, every time you use your debit card to purchase something, the amount of money used is taken directly out of your bank account.



Lesson 4

BUILDING CREDIT

Hi! I'm Wattson



OBJECTIVES

In this lesson you will:

- explore different types of credit and their importance;
- learn how to build credit;
- examine the effects of good and bad uses of credit;
- look at the basics of a credit report and how to correct errors.

Page 47

WHAT DO YOU THINK?

With a partner answer the following questions as either **True** or **False**.

- 1) _____ You can only start building credit by using a credit card.
- 2) _____ In 2008, the average credit score for people in Hawai'i was 688, meaning "above-average" for credit scores.
- 3) _____ You have a right to get a copy of your credit report at any time.
- 4) _____ Credit is only important if want to buy a house.

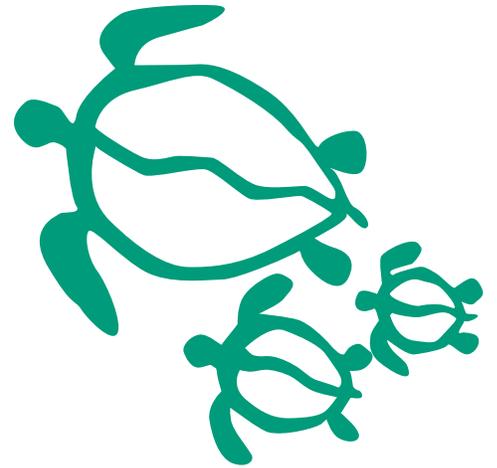
***Answers available on last page of the lesson.**



INTRODUCTION

In traditional Hawai'i, goods and services were traded between 'ohana, ahupua'a, and even individuals in order to meet peoples' needs. Without money, however, trading could be complex. First, a person had to build good character, or standing, in their ahupua'a so they could be trusted when exchanging goods or services. Second, a person had to have something another person was willing to trade for, and both had to agree the goods and/or services to be traded were of equal value. This type of trading, where two people exchange goods and services of equal value, is known as reciprocal trading. With such a trade and trust building system in place, Native Hawaiians were able to grow and meet the needs of the ahupua'a without having to save a large amount of resources in advance.

Examples of reciprocal trading in traditional Hawai'i include trades between the lawai'a (fisherman) and the k̄alai wa'a (canoe builder). When the lawai'a was in need of a canoe to catch fish, he would go to the k̄alai wa'a to "order" one. The k̄alai wa'a would then trade one of his canoes in exchange for a certain amount of the lawai'a's catch, equal to the value of the canoe. Of course, the k̄alai wa'a would only make the trade if he knew the lawai'a had good character, meaning that he could be trusted to trade the amount of fish he promised.



In today's economy, building credit can be compared to building good character when trading during traditional times. Like the k̄alai wa'a, moneylenders "trade" (loan) us money so we can purchase cars, attend college, and start our own businesses without having to save the money needed to pay their total cost upfront. In exchange for this "trade", we agree to "trade" (pay) money back to the moneylender just as if we were the lawai'a trading an equal value of our catch for the k̄alai wa'a's canoe. If we make the trade as agreed (pay the loan back), we build credit (character or standing in our community in how we manage our money and bills) and improve our chances of borrowing money again in the future. If we fail to make the trade as agreed (pay the loan back), we damage our credit and hurt our chances of borrowing money later in life.

Credit can be the lifeblood for our community, providing needed resources for us and our neighbors to grow, but we must first build credit, or trust in how we manage our money and bills, by living up to our agreements when borrowing money and paying it back.

TYPES OF CREDIT

In traditional Hawai'i, the native people always looked at the costs and benefits of their decisions. Similarly, credit has costs and benefits we should consider. Costs of credit include interest payments and fees, while the benefit is that it can be used to make purchases without having to save large amounts of money to do so.

There are different types of credit as follows:

Revolving credit is a type of credit that allows you to borrow money at any time to a set limit. As you pay back what you borrowed, the money becomes available for you to borrow again. Examples: credit cards, department store cards, and gasoline cards

Installment credit allows you to borrow a specific amount of money at one time for a defined purpose. You establish a payment plan with your lender to repay the loan on a



regular basis over a period of time. The amount of interest that you will pay during this time period is calculated in-advance and added on to your set monthly payment. Examples: automobile loans, student loans for college, and home loans

Service credit is credit that some businesses or utility companies offer. It allows you to pay for a service after you received it. Often, if you pay the complete sum within a specified period of time, usually 30 to 60 days, you do not have to pay fees or interest. If you are unable to make the payment within the specified time, there is usually a penalty charge that will be added to your debt. Examples: your electricity and phone bills

Easy-Access credit is short-term credit (loans) granted regardless of credit history, often for very short periods and at high interest rates. Examples: **payday loans** and rent-to-own furniture

Types of easy-access **creditors** (businesses granting credit) include:

- **Pawnshops** provide loans in exchange for personal property, such as jewelry.
- **Loan sharks** lend money at extremely high interest rates.
- **Rent-to-Own stores** offer plans to buy products, like furniture, with little or no money down.

Credit can be obtained in two forms – secured and unsecured.

Secured credit is when you are asked to provide something of value as a guarantee that you will repay your debt. If you fail to repay, the lender takes the guarantee as repayment.

Revolving and service credit sometimes require guarantees in the form of cash deposits (i.e. deposit on phone/electric service or on a secured credit card).

Installment credit requires a guarantee (i.e. car loan will require you to use your car as a guarantee).

Unsecured credit is when a guarantee is not required.

CREDIT SCORE

You will start a traditional credit history as soon as you make a loan or use a credit card. However, you are establishing a **non-traditional credit history** when you open a bank account or set up a cell phone account. While non-traditional credit sources do not affect your **credit score** (FICO score), traditional credit sources directly impact your credit score.

In simplest terms, a credit score is a single number that helps lenders determine how likely you are to repay your debt. It is like your personal finance GPA (Grade Point Average); the higher the number, the better the score. Credit scores are based on your credit history and reveal how well you handle repaying your debt.

Several factors are considered in determining your credit score:

- Your repayment track record
- The amount of debt you owe
- How long you have used credit
- How often you have applied for new credit
- The types of credit you currently use



Credit Score Range

In this range you need to work hard to improve your score. Getting a loan for a car or college will be a problem.

In this range you are low-to-moderate risk and should get lower interest rates.

300 400 500 600

700 800 850

You are fair-to-good risk if you fall into this range, but interest rates will be higher than if you had a 700+ score. Pay your bills on time and reduce credit balances and your score will go up.

EXAMINE EFFECTS OF GOOD & BAD CREDIT

Credit can be the lifeblood of a community if used wisely and responsibly. Each time you apply for a loan, use a credit card, or make or miss a debt payment, you are impacting your credit score. It is important to understand how your financial decisions can raise or lower your credit score.

If your credit score is low, it can negatively impact your life when:

- **Applying for a Job:** Employers may run a credit check on you before making a decision to hire you or not – a good credit report demonstrates responsibility.
- **Buying a Car or Home:** Lenders may look at your credit score before deciding whether you are a good risk for a home loan or car loan – or how much interest to charge if they give you the loan.
- **Renting an Apartment:** Landlords may check your credit score before deciding whether to rent to you or not.
- **Setting up a Phone or Electric Line:** Utility companies may check your credit to determine whether you have to pay a security deposit. The same is true when setting up a cell phone plan.

Making the Grade

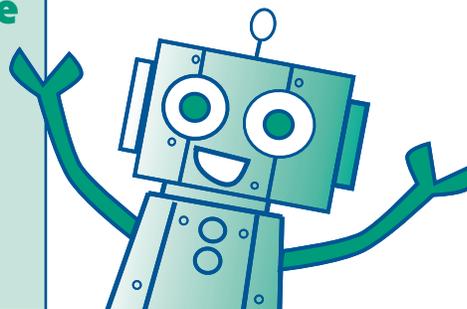
Take a look at the ups and down of Kala's FICO score (credit score) during her years in high school. She learned some lessons the hard way and eventually learned what it took to maintain a good credit score.

Kala's Credit Exercise

Using the grading scale below, calculate Kala's credit score after each of her actions.

FICO scores range

780 above	= A+
720 - 779	= A-
680 - 719	= B
620 - 679	= C
550 - 619	= D
549 below	= F



Freshman Year	Change in Score	Current FICO Score	Credit Score
Kala opens a secured credit card account. She uses her available credit and pays her balance due in full when she receives her statement.	0	780	A+
Kala starts Spring break in a great mood. She gets an advanced payday loan so she can buy clothes for herself and all her friends right away. The payday loan racks up high interest and unforeseen fees.	-150		
Almost 16, Kala looks into buying a car. While she's shopping she finds three cars at three different dealerships – all of them make inquiries into Kala's credit history.	-10		
Sophomore Year			
Over the spring Kala works hard, pays for her over-due payday loan, and makes regular deposits into her savings account so she can make a down payment on a car.	+100		
In July, one month after buying a car, Kala gets into an accident and her car needs major repairs. She has trouble paying for both the car loan and for the repairs. After a few late notices on her car loan, she gets an unsecured credit card with a limit of \$1000 to help with the costs.	-80		
In October, Kala uses her secured credit card to buy holiday presents for her family and friends. She goes over her credit limit by \$100.	-150		
She makes up the late payments and pays just the minimum amount due on time on her credit card for the rest of the year.	+50		
Junior Year			
Kala works very hard to pay down her debt by paying \$50/month more than the minimum payment on her credit card and barely uses it for the rest of the school year.	+100		
Senior Year			
Kala decides to take better control of her credit. She pays off almost all of her debt by graduation and pays her bills on time for one year. Her credit is once again excellent.	+140		

What actions helped to build and/or improve Kala's credit score?

What actions damaged Kala's credit score?



Kala graduates!

Now she is looking for a loan so she can pay for college. How much she pays in interest depends on her credit score; the higher the score, the lower the interest rate and total amount she has to pay.

Compare Kala's credit scores, interest rates, and how it changes the total amount of money she has to pay to repay a \$10,000.00 loan.

Kala Sophomore:

Loan amount	FICO score	Interest rate	# of Payments	Total \$ Paid
\$10,000	540	8.25%	120	\$14,718.49

Kala Senior:

Loan amount	FICO score	Interest rate	# of Payments	Total \$ Paid
\$10,000	780	5.60%	120	\$13,082.80

What is the difference between total money paid?

Which loan would you take? Why?

HOW TO BUILD CREDIT

The good news is that with information and education, you are able to maintain an "A+" credit score. However, if you make unwise decisions and feel the effects of bad credit like Kala did, there are different ways to improve your score, including:

- **Open and maintain a credit account:** Establish a secured credit card account in your name, use it wisely, and make sure to pay your balance IN-FULL EACH MONTH. Remember, you NEVER want to make a late payment. Opening a secured credit card account is a great first step to establishing credit.
- **Follow your budget:** DO NOT SPEND MORE THAN YOU HAVE. Stick to the budget you set up in *Lesson 2* – buy your needs before your wants.
- **Pay your bills on time:** Pay all your bills on or before the date they are due, especially credit cards, as they will cost you in interest and penalties for being late. If you think you will have trouble paying a bill, CALL THE BUSINESS OR PERSON YOU OWE IMMEDIATELY AND INFORM THEM. There are always options. The worst option is to choose to ignore a creditor.
- **Avoid excessive inquiries into your credit report:** Excessive inquiries into your credit report may lower your credit score. Be aware of situations, such as shopping for



5) How many accounts are delinquent? _____

By how many days? _____

How much is owed? _____

What company does Micah owe money to? _____

6) Has Micah made late payments in the past? _____

If yes, how many times has Micah been 90+ days late? _____

7) Have companies requested Micah's credit report? _____

If yes, how many in 2005? _____

Imagine You Are a Credit Counselor

Micah wants to get a car loan. Your goal is to give him suggestions on how he can improve his credit score.

How can Micah improve his credit score?

CORRECTING ERRORS ON YOUR CREDIT REPORT

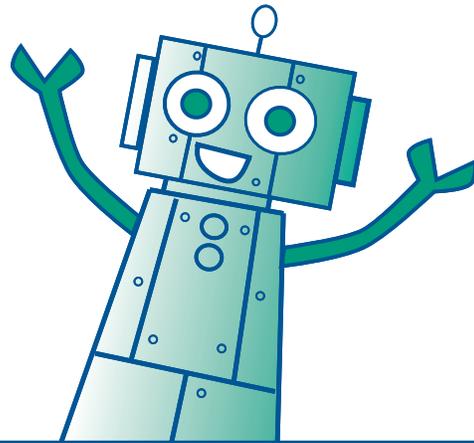
When you receive your credit report, read it through very carefully and be sure that all the information on the report is correct. Common credit report errors include accounts appearing more than once, uninvited inquiries, and items that should no longer be listed. Directions to correct these or any errors should come with your credit report. If you find errors on your report, or if there are any items that you feel are errors, here is what you can do to correct it.

1. Copy your credit report.
2. Highlight the error.
3. Write a letter of dispute that includes an explanation of the error.
4. Locate and copy any additional information that can help establish that the item is an error (i.e. a canceled check used to make the payment).
5. Send the highlighted copy of your report, the letter of explanation and the copy of the additional information to the credit bureau listed in the top right hand corner of the report.

When the credit bureau receives your letter, they will contact the creditor to investigate your claim. If you are correct, the credit bureau will fix the error. If the creditor does not believe that it is an error, you will be notified and required to deal with the creditor directly. You will want the credit bureau to include a statement of explanation on your credit report until the issue is resolved.

**For more information or assistance in reading and/or correcting your credit report contact a credit counselor (see Resources section).*





Statement of Explanation

If you would like the credit bureau to include an explanation of an item on your credit report, you can use the following sample letter.

DATE:

TO: Name of Credit Reporting Agency
(Name in top right hand corner of credit report)

ATTN: CONSUMER RELATIONS

FROM: Micah's Name
Address
Phone Number
Social Security Number
Date of Birth

RE: ERROR ON CREDIT REPORT

In accordance with the Fair Credit Reporting Act, please include the following statement in my credit report. Please position with the disputed account.

DISPUTED ACCOUNT:

(Merchant Name)

(Account Number)

(Date Reported)

(Statement of Explanation - insert your own explanation of no more than 100 words.)

(Example Statement of Explanation)

"On March 30, 2005, I submitted a check to Auto Finance Company for \$300 on my car loan. I did not receive any correspondence from the company; however, I did receive a canceled check made out to Auto Finance Company for \$300. Unfortunately, the company refused to reflect the circumstances that resulted in a late payment on my account."

Please send me a copy of my updated credit report after the above statement has been added. Thank you for your immediate consideration on this matter.

Sincerely,

(Micah's Signature)

(Micah's Name Typed)



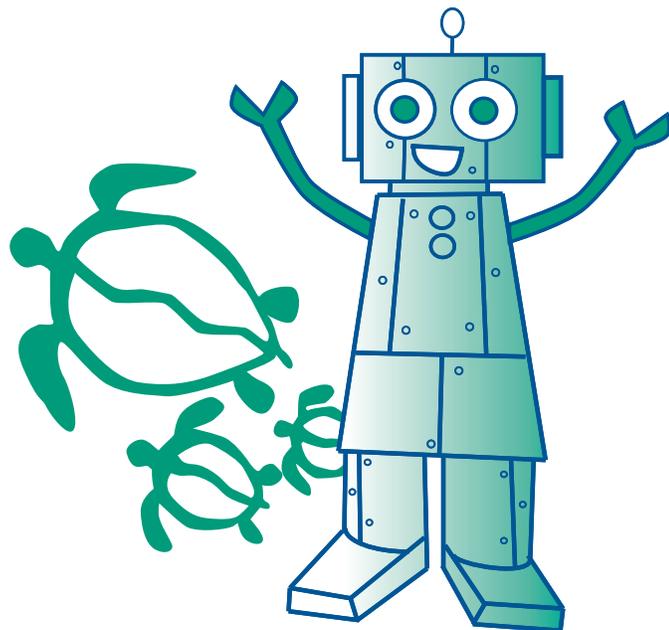
SUMMARY

During traditional times, the Native Hawaiians would trade goods and services with one another in order to meet the needs of 'ohana, ahupua'a, and individuals. Before trades were made, however, trust had to be built and one person had to have a good or service that the other person wanted and was equal in value to what they were willing to trade. This type of trading, where two people exchange goods and services of equal value, is known as **r** _____ **t** _____. For individuals like the **k** _____ **w** _____ (canoe builder) and **l** _____ (fisherman) this was not only a way of survival, but a way of strengthening the ahupua'a for future generations.

Today **c** _____ plays a similar role as reciprocal trading played in traditional Hawai'i – trust must be built in how we manage our money and bills before we can "trade" money with another person and that trust depends on whether or not we fulfill our part of the "trade" as agreed. These rules apply whenever we use the three main types of credit: **r** _____ (credit cards), **i** _____ (car loans), service (utilities). Another type of credit is known as **e** _____ **a** _____, which provides credit at extremely high costs. We can obtain these types of credit in two forms – **s** _____ (requires deposit before use) and **u** _____ (does not require deposit).

No matter the type of credit or how we obtain it, every time we use it, we impact our **c** _____ **s** _____ (personal finance GPA). If we use credit wisely, our credit score rises and so do our opportunities for employment, housing, and education. If we use credit unwisely, our credit score drops and so do our chances of getting a job, renting or owning a home, and using credit in the future to buy cars or afford college. Errors can also drop our credit score. To address these errors we should first view our **c** _____ **r** _____ (personal finance report card) at least once/year from each of the three main credit reporting bureaus. Next, if errors do show up on our credit report, we can write a **L** _____ of **D** _____ identifying the error along with a **S** _____ of **E** _____ to explain the error as well. If necessary, we can also go to a **c** _____ **c** _____ for advice on how to correct these errors and/or build our credit.

Our use of credit today draws parallels to the reciprocal trading system used by Hawaiians during traditional times. We can implement lessons from tradition that teach us to focus on building trust (credit) within in our communities in how we manage our money and debts. Examples of historical reciprocation remind us as consumers to fulfill credit agreements by repaying our debts. If done correctly, credit can be the lifeblood of our community allowing us to grow without saving an abundance of resources in advance.



STUDENT ASSESSMENT

Complete the following assessment by writing what you knew before the lesson, what you learned during the lesson, and what you want to know more about.

I Knew...

I Learned...

I Want to Know More About...

Page 62

LEARNING BEYOND THE LESSON

With, or without, a parent, setup a meeting with Hawaiian Community Assets (1-866-400-1116) to review your credit report and start a plan to build/improve your credit.

What do you think? Section answers.

1. False, you can start building credit in many different ways, such as; opening and maintaining a secured credit card, paying your bills on time, avoiding excessive inquiries into your credit report, and viewing your credit report to make sure it is error-free.
2. True, Hawai'i's average score was 688 in 2008, which is like earning a "B" on your report card.
*Credit Score.com (<http://www.creditreport.com/info/credit-scores/average-credit-scores.asp>). Retrieved 8/20/2008.
3. True, the Fair Credit Reporting Act states that an individual has a right to request a copy of their credit report from any of the three major credit reporting bureaus at any time. However, you are allowed only one free copy from all three major credit reporting bureaus. If you request more, you will most likely have to pay a fee.
4. False, credit can impact your ability to rent an apartment, to get a car or college loan, to get a job, and more.



Lesson 5

Credit Cards & Cars



OBJECTIVES

In this lesson you will:

- explore the advantages and disadvantages of using credit;
- identify how to use a credit card responsibly;
- understand the costs of buying and owning a car.

Page 63

WHAT DO YOU THINK?

With a partner answer the following questions as either **True** or **False**.

- 1) _____ One in five United States teenagers carries credit cards.
- 2) _____ College students have an average credit card debt of \$4,776 and hold an average of four cards each.
- 3) _____ In 2008, gasoline was the #1 credit card expense for United States teenagers.
- 4) _____ Low-income households in the United States spend a greater percentage of their income on transportation than moderate- and high-income households spend.

***Answers available on last page of the lesson.**

INTRODUCTION

Reciprocal trading in traditional Hawai'i tells of the importance of building trust and character within the ahupua'a when trading goods and services. It also shows us how traders had to be in agreement with one another over the goods or services to be traded as well as how much they were worth. Overall, reciprocal trading was a complex system that called on people like the lawai'a and kālai wa'a to make wise trades by weighing the advantages (benefits) and disadvantages (costs) such trades brought with them. By making wise trades in this way, the Hawaiian people were able to best meet the needs of all 'ohana and strengthen the ahupua'a for future generations without having to save an abundance of resources in advance.

For instance, when trading fish and canoes, the lawai'a and the kālai wa'a had to decide if the advantages of gathering more resources for the ahupua'a and their own 'ohana were worth the disadvantages of trading with someone who may not have good character in the ahupua'a or may not fulfill their end of the trade by exchanging a good or service of equal value as agreed. Losing "good character" was a major concern for both the kālai wa'a and the lawai'a because it could mean losing their way of surviving within the ahupua'a. At the same time, if they did not exchange fish and canoes they may not be able to gather the resources needed to survive anyway. This meant that reciprocal trading was a risk, however, if its advantages outweighed its disadvantages it could be used as a tool to provide needed resources for all 'ohana and improve the standard of living within the ahupua'a for the day and for generations to come.

Page 64

Any time we borrow money to buy a car, pay for college, or make small purchases with a credit card and we agree to pay the borrowed money back, we are using credit. Similar to the situation of the kālai wa'a and lawai'a, the decision to use credit also depends on the advantages and disadvantages it could bring. In modern Hawai'i, this means comparing the costs of using credit (i.e. amount of interest we pay to borrow money, risk of taking on debt) and its benefits (i.e. having resources necessary to improve our standard of living, opportunity to build our credit history). Like the trades made within the ahupua'a, we stand at risk of losing our "good character" in the community (damage our credit) and our access to needs (job, home, transportation, and/or borrowing money) if we do not use it wisely. Fortunately, the modern credit system has an evaluation process that helps moneylenders, like banks and credit unions, lower these risks by viewing our "character" (credit report) and financial resources we have available to pay back the money we wish to borrow. However, since each of our situations are different, it is not enough for us to simply rely on this process to decide whether using credit for a purchase is a wise or unwise decision; we have to make that decision ourselves.



The use of credit today is just as important to us and our survival as the use of reciprocal trading was to the kālai wa'a and the lawai'a and their survival during traditional times. Credit can be used as a tool to bring much needed financial resources into our lives, as well as into our communities, without having to save them in advance. Yet, if we fail to weigh the costs and benefits of our decision to use credit, this tool can quickly become a liability and put us and our communities at risk of experiencing serious financial emergencies. To be sure we use credit wisely we can learn from the lead of the kālai wa'a and lawai'a, and carefully compare the benefits and costs of using credit for our purchases.

HOW CREDIT WORKS

Every time you make a purchase with a credit card or get a loan, you are using credit. When you use credit you borrow someone else's money and agree to pay interest and other fees until all the money is paid back. The amount of money you borrow directly correlates to the total you will pay in interest and fees.

Advantages & Disadvantages of Using Credit

Spending money wisely means weighing the advantages (benefits) and disadvantages (costs) of your purchases. The same is true when using credit for a purchase; before you use it, you need to see if the benefits will outweigh the costs.

Advantages (Benefits)	Disadvantages (Costs)
<ul style="list-style-type: none"> • establish and/or build credit, if used wisely • can buy needed items now • do not have to carry cash • creates a record of purchases • quicker than writing checks • consolidates bills into one payment 	<ul style="list-style-type: none"> • damage credit, if used unwisely • added responsibility • interest charged (higher cost of items) • may require additional fees • mountain of debt if you lose track of how much has been spent each month • increased impulse buying may occur

Using Credit Exercise

Answer the following questions by identifying whether you would use or not use credit (borrow money) for the purchases below and why.

Would you use credit?

- 1) To buy a car so that you can drive to school.
 Yes No Maybe Reason:

- 2) To buy a present for a friend's birthday.
 Yes No Maybe Reason:

- 3) To purchase new basketball shoes, even though the ones you have are still in good shape.
 Yes No Maybe Reason:

- 4) To buy a plane ticket to attend a family event off island.
 Yes No Maybe Reason:

- 5) To pay for a college education.
 Yes No Maybe Reason:

For all "no" answers explain how you would purchase the item without using credit.

COMMON USES OF CREDIT

You probably use credit in your everyday life without even knowing it. Chances are, you use it to make small, regular purchases like groceries or even large, one-time purchases like cars. In the following section, you will be introduced to the most common uses of credit by young adults:

- Using credit cards
- Getting car loans

USING CREDIT CARDS

Credit cards can be useful tools to help you manage your finances. However, if you do not use them wisely this useful tool can quickly turn into a financial disaster and keep you from getting a

A few weeks later, Adrian gets a letter in the mail from FirstRate Credit. It states:

Dear Mr. Adrian Ade,

We appreciate your interest in a FirstRate credit card. Based on your application and information obtained from your credit report, we are able to offer you an **unsecured credit** limit of \$500.

To activate and start using the card (enclosed), follow the instructions printed inside. As soon as you make your first purchase, we will send you a **FREE T-SHIRT and HAT**.

For more information contact our Customer Services representative at 1-800-555-5555.

Sincerely

Elmer Doe

Elmer Doe
FirstRate Credit Service Manager

Choose Adrian's Next Move

Choose whether Adrian should (A) Get Advice or (B) Take the Card, then go over the other scenario and answer the questions on pages 69-71.

(A) Get Advice...	(B) Take the Card...
<p>Adrian feels uneasy about the "unsecured" credit card, so he decides to go to his bank to ask for some advice.</p> <p>When he arrives at the bank a representative explains, "Young adults have a hard time getting accepted for unsecured credit cards because they do not have two necessary things - income and a credit history. Still, credit card companies target people your age, because they know you need to build credit and you like to spend money. It's good you came in to talk with us before you decided to use the FirstRate card, because we have a safer option for young adults like you."</p> <p>The representative pulls out a secured credit card and continues, "Sure, it looks the same as the FirstRate card, but the difference is that you pay a deposit as collateral</p>	<p>Adrian activates the FirstRate card right away. He goes to Safeway and buys groceries. The next week he gets his paycheck and pays off the entire amount he charged at Safeway. His account is <u>not</u> charged a minimum finance charge.</p> <p>The next month Adrian gets sent his free t-shirt and hat. Feeling more comfortable with the credit card, he goes to Ross's and uses it to buy clothes for school. He plans on paying his charges back in-full before the end of the month, but when he gets the bill he sees that he was also charged the annual fee that had been waived in the first month. Instead of paying it back in-full, he decides to make the minimum monthly payment and a higher finance charge is added to his account.</p> <p>The next month Adrian uses the credit card</p>

(A) Get Advice...

before you start using it. It's like a safety net that guarantees you will pay us back for the money you borrow. You won't be able to touch that money, but you can charge up to that amount. As long as you pay back your secured credit card every month in-full, we won't touch that deposit either and you will start building credit. But if you don't pay what you owe us back in-full each month, we will have to take the deposit, which will damage your credit badly."

Adrian gets excited and says, "I want it..."

"Well, before you make a decision on any credit card," the representative continues, "you should first know the Terms and Disclosures, especially 3 important things – the **interest rate**, **grace period**, and **annual fee**."

The representative hands Adrian the card's Terms and Disclosures, tells him to read it over, and make a decision after he has weighed its costs and benefits.

The next day Adrian reads over all the information and compares it to the FirstRate credit card offer he received. The cards charge the same interest rate and have the same grace period, but the secured credit card does not have an annual fee.

Adrian jumps at his chance at the secured credit card. He begins saving and after 6 months he pays a \$300 deposit so he can charge up to \$300 and start using it carefully. 6 months later he applies for a car loan and gets a low interest rate, because of his "excellent" credit score.

(B) Take the Card...

for small purchases here and there – gasoline, going out with friends - and he even withdraws cash. He is careful not to go over his credit limit.

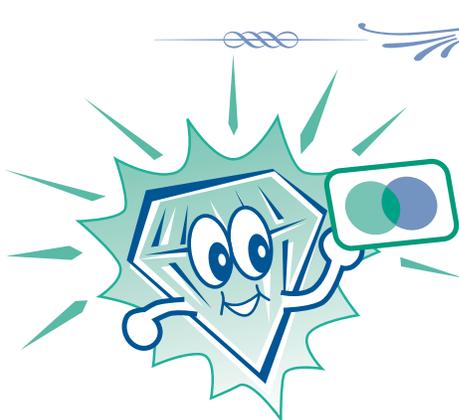
Halfway through the month Adrian realizes he did not budget for the cost of monthly credit card payments, so he pays less than the minimum monthly payment. When he gets his statement at the end of the month he sees that he has been charged a **cash advance fee** for the money he withdrew. This fee sent his account over its \$500 credit limit. This means he also gets charged an **overlimit fee**.

For months, Adrian tries to catch up but ends up missing one monthly payment. This causes his account to be charged a **late payment fee** and his interest rate to rise to the **default rate**. Now has to pay even more for the money he borrowed in the past and for any purchases he makes in the future.

A couple months before college he tries to get a loan to buy a car, but they deny him because of his "poor" credit score.

The loan officer says, "The biggest problem with your finances is an outstanding balance on a FirstRate credit card. If you get that taken care of, maybe we can work something out."

Adrian hears about a free credit counseling service that helps people improve credit by setting up a debt payment plan. He goes to the credit counselor.



Tips for 1st Time Credit Users

Imagine you are Adrian's credit counselor. Go over the "Tips for 1st Time Credit Users" on the following pages. Then answer the following questions to help Adrian improve his credit and understand the effects of using credit cards.

FirstRate Card Terms & Disclosures	
<p>Annual Percentage Rate (APR): The % of interest the account will be charged each year. Can be fixed or variable (change).</p>	<p>Annual Percentage Rate ("APR") for Purchases 0% for the first three billing cycles; then the standard APR, an estimated rate between 10.99% and 17.99%* (see Variable Rate Information)</p>
	<p>Other APRs</p> <p>Balance Transfers: 0.00% for the first three billing cycles; thereafter the standard APR for purchases</p> <p>Default Rate: Between 15.99% and 28.99%, based on payment history</p> <p>Cash Advances: 20.99% or 22.99%</p>
	<p>Variable Rate Information The following APRs may vary monthly: Standard purchase APR equals the Prime Rate plus an amount (the Margin) between 3.49% and 10.49%†. Default Rate equals the Prime Rate plus the Margin plus 5 percentage points for each late payment (maximum 28.99%)*.</p>
<p>GRACE PERIOD: The time period during which you may pay off your balance without a finance charge.</p>	<p>Grace Period for Repayment of the Balance of Purchases At least 25 days when you pay your balance in full each month.</p>
<p>CREDIT LIMIT: The total amount of money that can be charged to the credit card.</p>	<p>CREDIT LIMIT: \$5,000</p>
	<p>Annual Fee: \$50</p>
<p>ANNUAL FEE: A yearly fee charged to a cardholder for use of a credit card.</p>	<p>Other Fees</p> <p>CASH ADVANCE FEE: 3% for each cash advance, with a minimum of \$5 and no maximum.</p> <p>LATE FEES: \$15 on balances up to \$500, and \$39 on balances over \$500.</p> <p>OVERLIMIT FEE: \$15 on balances up to \$500, and \$39 on balances over \$500</p>
<p>Explains what happens when you make late payments.</p>	<p>*Default Rate: *If you are late making a payment, any rates not exceeding the Default Rate will change to be the same rate and type (fixed or variable) as the Default Rate. See Cardmember Agreement for details.</p>
<p>WATCH OUT FOR PRINT THAT AUTOMATICALLY SIGNS YOU UP FOR ANOTHER "PRE-APPROVED" CARD!</p>	<p>**You agree that if your application for a FirstRate Card with a minimum credit limit of \$5,000 and the APRs shown above is not approved, your application will also constitute your request for a FirstRate Card with the APRs shown above and a minimum credit limit of \$500.</p>
<p>INTRODUCTORY/SPECIAL APR OFFERS: Special payment benefits often only valid for a specific period of time.</p>	<p>† The Prime Rate used is the highest prime rate listed in The Wall Street Journal on the last business day of the month. Actual amount will be based on our evaluation of your credit and will be disclosed with your card.</p> <p>INTRODUCTORY/SPECIAL APR OFFERS: If you are approved for an account, you will be able to make balance transfers under this offer until August 1, 2006. If you request balance transfers after this date, we will not make the balance transfers. Please allow up to 4 weeks before payments to your other accounts are made. Accordingly, you should continue to make all required payments until you confirm that the balance transfers were made. Balance transfers may not be used to pay any Discover accounts. Balance transfer requests will be processed from the lowest to highest dollar amount. If a balance transfer transaction would cause you to exceed your account credit limit, you authorize us to process your balance transfers for an amount less than the full amount requested. Making additional transactions may still cause you to exceed your account credit limit. You may only make balance transfers to accounts that list you as an accountholder. There is no grace period on balance transfers. Any introductory/special rates will terminate if you are late making a payment or your account is overlimit as discussed in the Default Rate section above and in the Cardmember Agreement. If you make a balance transfer with this application, there is no balance transfer transaction fee.</p>
	<p>GET A FREE GIFT AFTER YOUR FIRST FIRSTRATE CREDIT CARD PURCHASE! ~PAGE 1~</p>

1. **Read credit card offers and agreements carefully.** The small print on credit card applications always talk about the true costs of the card, the big print only tells you the best features.

Read the credit card offer above and identify the following for Adrian:

- Interest rate (or **Annual Percentage Rate (APR)**, interest rate charged over a year on money borrowed): _____.
- Grace Period (time available to pay back credit card account in-full without getting a finance charge): _____.
- Annual Fee (yearly charge for use of a credit card): _____.

2. **Set your monthly budget.** DO NOT GET A CREDIT CARD UNTIL YOU HAVE CONSIDERED ITS AFFECT ON YOUR BUDGET. If you set a definite amount you can spend and pay back easily, you can build credit and be sure to stay out of debt.

According to the credit card offer on page 69, what is Adrian's minimum monthly payment? _____.

3. **Pay off your credit card balance in-full each month.** Make it a point to pay back your monthly credit card balance. Paying your debt in-full at the end of the month will eliminate interest charges and builds an excellent credit history.

What happened to Adrian's account when he did not pay the balance in-full at the end of each month? _____

Complete the following table by calculating how Adrian's use of both credit cards effect how much interest he will be charged for the month if the balance is not paid in-full.

	Secured Credit Card	FirstRate Credit Card
Average Daily Balance for the Month	\$300	\$500
Annual Percentage Rate (APR)	17.99%	17.99%
Periodic (Monthly) Rate (APR/12)		
Interest Charged for the Month (Avg Daily Balance for Month x Periodic Rate)		

**Adapted from Na Wai Puapua`i financial education curriculum, Lesson 3 "Plastic, Plastic, Plastic".*

4. **Stay within your credit limit.** You should refrain from using MORE THAN 30% OF YOUR AVAILABLE CREDIT. For example, if you have a credit limit of \$1000, do not charge more than \$300 to your card. Doing this will protect you from piling up debt that you cannot afford.

Adrian makes \$500 each month. How much is his personal credit limit? (Calculation: $\$500 \times .30$ (30%) = personal credit limit) _____.

What happened to Adrian's account when he went over this personal credit limit? _____

5. **Use your credit card with caution.** Before charging a purchase to your card, always ask yourself, "Do I really need this purchase or is it a want?" If you do not ask yourself this question or weigh the benefits and costs of your purchase, you are **impulse buying**. **Peer pressure**, or social pressure to act, dress, or be a certain way in order to be accepted as part of a group, can also have similar impacts on your purchasing decisions.

Did Adrian use his FirstRate credit card for impulse buying? _____
Did peer pressure impact his purchases at all? _____

What were some of the purchases that you would advise Adrian not to make with a credit card? Why? _____

6. **Do not get a credit card just to get a FREE gift.** Credit card companies use this approach to tempt you into signing up for their card whether you can afford it or not.

What FREE gift did FirstRate offer Adrian? _____

What did he have to do first to get it? _____

7. **Ask advice from FREE credit counseling services.** There are free *credit counseling services* in your community that will help you with any questions you have or any financial emergencies you get into that involve credit. Credit counselors often work with customers to setup payment plans.

Payment Option 1	Payment Option 2
Money Owed: \$500 His Monthly Payment: \$25 Interest Rate: 17.99% Total He Will Pay: \$2,114.04 Time it Will Take: 12 years and 8 months	Money Owed: \$500 His Monthly Payment: \$50 Interest Rate: 17.99% Total He Will Pay: \$1,382.50 Time it Will Take: 5 years and 9 months

How much less money overall would Adrian pay if he made a monthly payment of \$50 instead of \$25? (*Calculation: Total He Will Pay from Payment Option 2 – Total He Will Pay from Payment Option 1 = How Much More He Would Pay*). _____

If Adrian is 17, how old will he be after he pays off his credit card using:

- Payment Option 1? _____
- Payment Option 2? _____

8. **Cancel credit card offers from being delivered to you.** You can stop having credit card offers sent to your home by calling the Federal Trade Commission at 1-888-567-8688.

GETTING A CAR LOAN

Can you walk into a car dealership and pay cash for a car? If not, you will need to consider a car loan to buy the car now and pay the borrowed money back later. Car loans are common among young adults and need careful consideration. Before you get a car loan, you should consider the following:



1. Car Costs
2. Your Bank Account
3. Shopping for a Car
4. Explore All Options
5. How Loans Work
6. Evaluating the Loan
7. Completing a Loan Application
8. The Credit Interview
9. Credit Scoring
10. Evaluate the Deal

STEP 1: Car Costs

The cost of a car is more than its price tag. Before you even think about getting a loan, you should first understand how much it will cost you to own it. These costs include:

- **Operating costs** – gasoline, oil changes, maintenance, etc.
- **Insurance costs** – liability, collision, comprehensive coverage
- **Registration and licensing** – standard fees for driving a car in Hawai'i

Operating Costs Exercise

Calculate the following operating costs in the table below.

COSTS	CALCULATIONS
Gasoline/Year: \$ _____ (Hybrid) \$ _____ (Small Car) \$ _____ (Medium Car) \$ _____ (Large Car/Truck/SUV)	1) Estimate miles/year: _____ *(Avg miles/year per vehicle = 9,965) 2) Divide estimated mile/year by miles/gallon *(Avg miles/gallon = 41.7 (Hybrid), 29 (small car), 26 (medium car), 21.5 large car/truck/SUV) 3) Multiply miles/gallon by average price of gasoline/gallon +(Avg price for gallon of gas in Hawai'i 7/2008 = \$4.60)
Oil Changes/Year: \$ _____	1) Estimate miles/year: _____ *(Avg miles/year per vehicle = 9,965) 2) Divide miles/year by 3,000 miles _____ # oil changes/year (Suggested oil change every 3,000 miles) 3) Multiply # oil changes/year by cost of oil change \$ _____ -(Avg cost of oil change at quick lube center – i.e. Jiffy Lube, gas station, etc. = \$23)
Maintenance Repairs/Year: \$ _____	Estimate maintenance costs (i.e. changing tires, replacing parts, etc)
TOTAL COSTS/YEAR: \$ _____	Gasoline/Year (for type of car chosen)+ Oil Changes/Year + Maintenance Repairs/Year = TOTAL COSTS/YEAR

*Totals taken from Sea Change Hawai'i (<http://www.seachangehawaii.org/do-your-part/explanation/>)

+Total calculated from Fuel Gauge Report (<http://www.fuelgauge.com/sbsavg.asp>)

-Total taken from Bimmer Zone (<http://www.bimmerzone.com/motoroil.htm>)

What could you do to cut your car's total operating costs per year?

Insurance Costs

Insurance is a way of protecting your investment (car) from almost anything that might happen unexpectedly or accidentally. There are three types of car insurance, each with different costs.

TYPE OF CAR INSURANCE	WHAT IT COVERS	RELATIVE COST
Liability	<ul style="list-style-type: none">• Covers costs resulting from bodily injury and property damage to others.• Pays if your car kills or injures someone else (bodily injury).• Protects you whether you are driving or someone else is driving your car.• Protects you when you are driving someone else's car with their permission.• Covers costs of lawsuits, including lawyer's fees.• Does not cover damage to your own car.	Lowest
Collision	<ul style="list-style-type: none">• Pays for damages to your car resulting from a collision with another car or if you run into an object.• Is required if you have a car loan and are making car payments.	Middle
Comprehensive	<ul style="list-style-type: none">• Does not cover damage resulting from a collision with another car.• Pays for damages to your car caused by theft, vandalism, fire, or when an animal runs into your car.• Is required if you have a car loan and are making car payments.	Highest

**See Lesson 6 for information on how insurance works.*

Requirements for Hawai'i Drivers

Hawai'i is a "no fault state", meaning that if you get into an accident your insurance company will pay for your medical bills due to the accident, regardless of who is responsible for the accident. As a driver in Hawai'i, you **MUST** carry **Personal Injury Protection (PIP)** coverage which will cover your medical expenses in case of such an accident.

**For more information on car insurance visit the Department of Motor Vehicles website (see Resources section).*

Figuring Insurance Cost

Cost of insurance is different for every car and every driver. It depends on:

- the state you live in;
- your age;
- your gender (teenage males pay the highest amounts for car insurance, because, on average, they are in the most accidents);

- whether you have taken a drivers safety course or not;
- your driving record (i.e. # of accidents, # of violations, etc);
- make of your car;
- model year of your car;
- car's body type (i.e. 4-door, 2-door, sports, pickup truck, etc);
- size of your car (i.e. small, medium, large);
- the car's safety (i.e. does it have an alarm, anti-lock brakes, airbags);
- how the car is used (i.e. for work, school, etc).

Tips on Finding Affordable Insurance

You can cut the cost of insurance by taking a few simple steps, such as:

1. **Visit the Department of Motor Vehicles website (see *Resources* section).** It connects you with FREE insurance quotes based on the criteria above.
2. **Get on your parents insurance.** If your parents already have car or any other type of insurance, they might be able to get a deal by adding your car to their policy. This would make it cheaper for you and your parents.
3. **Talk with an adult - a parent, grandparent, counselor, or trusted neighbor.** Sometimes the best way to find a deal on anything is to ask around – insurance is no different.
4. **Ask insurance companies about their “discount opportunities”.** Some insurance companies will cut the cost of your insurance for:
 - good grades (drivers under 25 if full-time students);
 - an accident free driving record;
 - multi-car coverage (using same insurance company to cover more than 1 car)
 - taking a driver's safety course;
 - use of alternative fuel (i.e. hybrids, electric vehicles, etc).
5. **Share a car and all its costs.** Some young adult drivers in Hawai'i share a car with a brother, sister, or cousin. Sharing a car means splitting the cost of car insurance, as well as other expenses. However, like opening a joint account, it is important to work up ground rules between you and the other owner to make sure you plan ahead for future costs (i.e. accidents, oil changes, etc) and both of your needs (i.e. how often you will use the car, what you need it for, etc).

Registration and Licensing

Every year Hawai'i drivers must pay fees to renew their car's **registration**, update its **licensing**, and to pass a safety inspection.

**For more information on these costs visit the Department of Motor Vehicles (see Resources section).*

STEP 2: Your Bank Account

There are 3 basic questions you have to ask yourself about your bank account before you buy a car with a loan.

Borrowing Amount Exercise

Calculate the amount needed to borrow based on how much you pay as a down payment.

% DOWN PAYMENT	CAR PRICE	DOWN PAYMENT	AMOUNT NEEDED TO BORROW
10%	\$	\$	\$ <i>(Car Price – Down Payment = Amount Needed to Borrow)</i>
15%	\$	\$	\$ <i>(Car Price – Down Payment = Amount Needed to Borrow)</i>
20%	\$	\$	\$ <i>(Car Price – Down Payment = Amount Needed to Borrow)</i>

Step 3: Shopping for a Car

Similar to creating a budget, you must identify your needs and wants before you purchase a car.

Your Wants and Needs List Exercise

Complete the following list to identify your car needs and wants.

- How will you use your car? Choose all that apply.
 Drive to school Drive to work Errands Carry friends
 Carry family members Hauling Sports and Recreation
- What kinds of roads will you drive on?
 Highway Town Off-road
 Country Mountain Roads
- Where will you park your car most of the time? Your parking space will determine the amount of money you will want to spend if the car is not protected from the weather or theft.
 Driveway Street Parking lot Garage
- What extra features would you like in a car?
 Sun roof/Moon roof Manual or automatic transmission
 Air-conditioning Traction control
 CD player Power windows and doors
 Antilock brakes Tinted windows
 Power steering Airbags
 Other _____
- Do you want a **warranty**? *A guarantee from the manufacturer or distributor that specifies the conditions under which the product can be returned, replaced, or repaired. Most car dealerships offer warranties (even extended warranties at a cost), while most personal sellers do not.*
- How much can you pay for a car? Go back to "Your Bank Account" section.

**Adapted from Consumer Jungle Financial Education Curriculum "Vehicle Comparison Worksheet"*

Comparing Cars Exercise

Find two cars in car sales advertisements that fit your needs and wants on the previous page. If you have a car already, use its information and compare the two cars using the table below.

CAR 1	CAR 2
Year:	Year:
Make:	Make:
Model:	Model:
Price: \$	Price: \$
Miles/Gallon:	Miles/Gallon:
Features:	Features:

Which car would you choose and why?

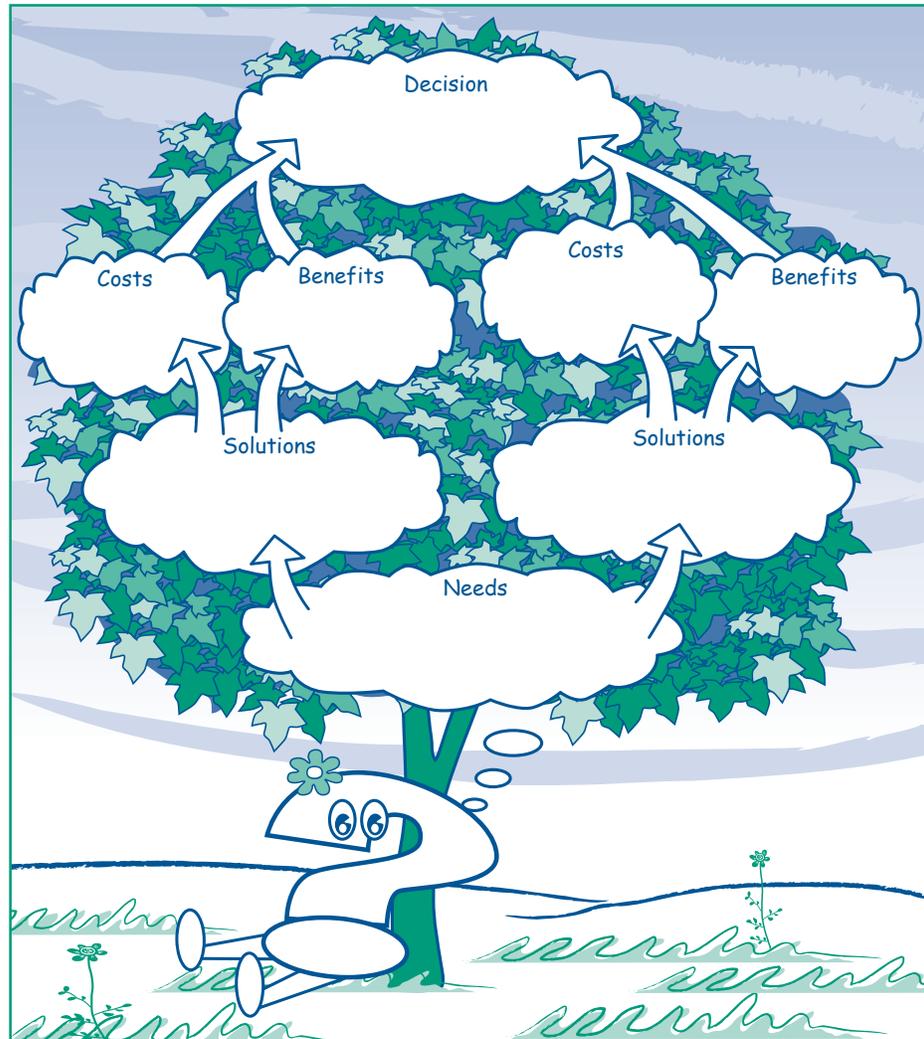
STEP 4: Explore All Options

In this step you will make a decision on whether or not a car is right for you. All-too-often young adults think they need a car without even exploring other options like buying a bicycle or moped, taking the bus, carpooling with friends, or sharing a car with another family member. This is especially important for young adults in Hawai'i as more cars crowd the streets and gasoline prices rise.

Tree of Decisions

Exercise

Use the following Tree of Decisions to weigh the benefits and costs of buying a car or using alternative transportation.

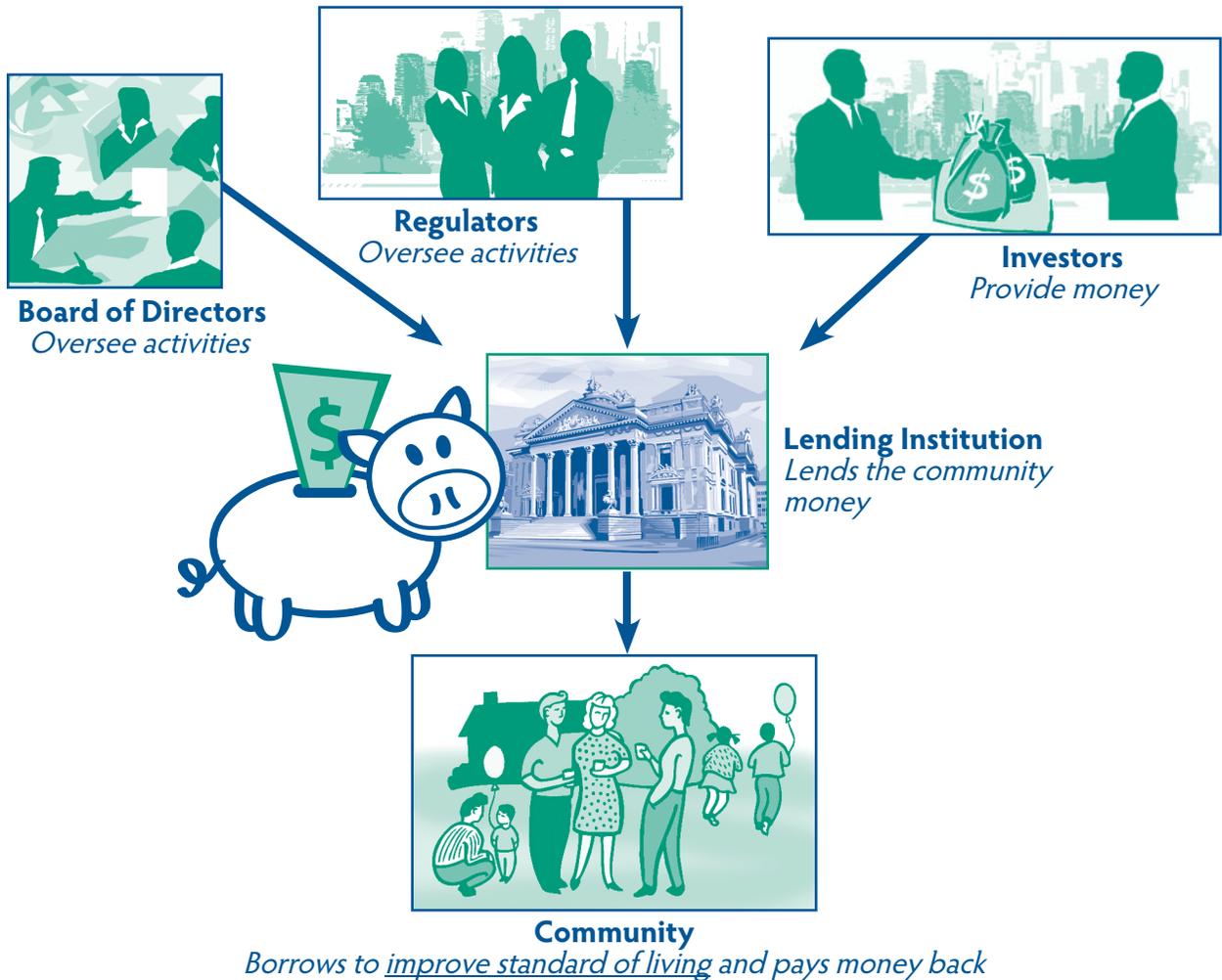


STEP 5: How Loans Work

If you decide a car is the transportation you need, it is likely you will need a loan to buy it. First, you need to find a lending institution that will loan you money. Second, you should compare the loan fees, terms, and rates each entity can offer (more below).

Banks and credit unions are common ***lending institutions*** (money lenders). While activities of a credit union are monitored by a Board of Directors, a bank is monitored by federal regulators. Oversight of financial institutions is important to ensure fair lending practices.

Lending institutions get their money from investors and in order to stay in business, they need their borrowers to repay their loans. If the money is not repaid, they can no longer serve the community or repay its investors.



STEP 6: Completing a Loan Application

To get a car loan from a lender, you must complete a loan application. Lenders use loan applications to collect information that helps them evaluate a borrower using what are known as the 4 C's of Credit (more in Step 7). This evaluation determines a borrower's ability to repay the debt.

Most applications, like the example on the next page, collect information on the following:

- **Purpose and Amount of Loan:** loan and down payment amounts, type of loan, and term (how long you will have the loan)
- **Personal Information:** applicant's name, address, length of time at address, date of birth, phone number, social security number, and marital status (i.e. married, single, etc)

- **Employment:** name of applicant's employer, job title, length of time at job, and phone number
- **Income and Expenses:** applicant's salary, gross monthly income, whether applicant owns or rents a home, cost of owning or renting home, total monthly expenses, bankruptcy history, and whether or not the applicant will have a co-signer
- **Financial References:** applicant's existing bank accounts and current debt owed
- **Credit Authorization:** applicant's signature giving lender permission to get a copy of the borrower's credit report

Some loan applications may charge application and processing fees. These fees are associated with the time it takes to evaluate an application and draw loan documents.

TIP: Fill in all the blanks. If an answer is not required, or if the question does not apply to you, write "N/A" (not applicable) in the blank. Do not sign a document until you have completed every space. Someone could fill in the blank later and make you responsible for something without you knowing, or agreeing to it.

Loan Application Fee: \$50
Loan Amount Approved
Closing Cost (Processing Fee): up to \$5,000 = \$50;
 \$5,001-\$10,000 = \$100;
 \$10,001-\$15,000 = \$150

CAR LOAN APPLICATION FORM

Loan Amount: \$2000	Down Payment Amount: \$500	Type of Loan: <input checked="" type="checkbox"/> Used Car <input type="checkbox"/> New Car	Loan Term: 48 # of Months
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APPLICANT

Name: Napali Michael Silva
(First) (Middle) (Last)

Address: 123 Anystreet 102 Anytown HI 95555
(Street) (Apt #) (City) (State and Zip)

Length of Time at Address: 10 years Date of Birth: 4/28/1992

Phone: 808-555-5555 N/A N/A
(Daytime) (Evening) (Cell)

Social Security #: 123-45-6789 Status: Single Married Separated Divorced

EMPLOYMENT

Employer: Price Busters Job Title: Stocker

Length of time at job: 8 months Phone: 808-999-9999

INCOME & EXPENSES

Salary: (hourly wage) \$8.00 Monthly Gross Income: \$550

Own or Rent Home: Own Rent Monthly Payment: N/A Total Monthly Expenses: N/A

Do you have a co-signer available: Yes No

Have you filed Bankruptcy in the past 7 years? Yes No Please explain _____

FINANCIAL REFERENCES

Account Type	Bank/Institution	Account Number
Checking	N/A	N/A
Savings	FIRST HAWAIIAN	11111111

DEBT

Account Type	Lender	Account Number
N/A	N/A	N/A
N/A	N/A	N/A

PERMISSION TO OBTAIN CONSUMER CREDIT REPORT

By signing this application form, I hereby give the (lender) the right to obtain a consumer credit report regarding me for this application and the life loan should my application be approved. I also release from all liability all persons, companies, and corporations supplying such information. I indemnify the EDG against any liability that might result from making such an investigation. I certify that the information above is correct to the best of my knowledge. I authorize EDG to make inquiries as necessary to verify the accuracy of the statements made by me and to determine my creditworthiness. I have read and understand the fees outlined above. I agree to indemnify and hold harmless EDG, its officers, directors, employees, agents and volunteers from any and all claims, loss or other liability arising from or related to the services that EDG provides before, during, and after the loan review process. I agree to pay the required sums and I agree to be bound by the loan agreement, if my application is accepted.

Napali Michael Silva 9/16/2008
 Applicant Signature Date

Additional Information Needed

Additional information may also be requested during the loan application process, such as:

- pay stubs covering the past 30 days;
- copies of your income tax return for the last two years;
- paperwork that shows the cost of what your are buying.

When you complete your application, be honest. A lender will double check all of the information that you provide on your loan application to make sure it is true. If you have had credit problems or other difficulties, share them with the lender and explain steps you have taken to correct them. If you have credit problems that you have not addressed, ask about actions you can take to deal with them.

Step 7: Loan Evaluation

After you submit your application, a **loan officer** will evaluate it to determine your ability to repay the loan. The evaluation is based on what are called the “4 C’s of Credit” – character, capacity, capital, and collateral.

- **Character** is determined through your credit history.
- **Capacity** is the amount of money you can afford to borrow and pay back.
- **Capital** is how much money you have as a down payment for your purchase as well as other liquid assets considered in loaning you money.
- **Collateral** is an item or items you will use like a deposit to guarantee you will repay the loan. The collateral on a car loan is the automobile itself. If you fail to make loan payments, the financial institution will repossess the vehicle.

Character

In traditional Hawai’i, an evaluation of character was based on your standing in your community. Were you a reliable person? Did your community trust you to keep your word?

Today, the assessment of your character is based on your credit report to determine how well you handle your debts through the extension of credit. Your credit history is one of the most important factors in establishing your ability to repay a loan. Most young people do not have an established credit, so a lender may look at **non-traditional credit sources** (more on page 83).

A lender will also look at the length of time you have held your current job and lived at your current residence. They will feel more comfortable lending if you can show stability in these areas.

Capacity

Capacity is the amount of money you can afford to borrow and pay back. This part of the evaluation process will compare your income and expenses. A lender will look at all sources of income, including your paycheck, allowances, and scholarships. Expenses include all your loans, credit card debt, and any other expenses you pay every month.

Debt-to-Income (DIT)

A lender will determine your ability to make your loan payments by calculating the difference between your income and debt. The lender will divide your total monthly debt by your monthly income to come up with your **debt-to-income ratio** (i.e. total monthly debt/monthly income = debt-to-income ratio). The acceptable debt-to-income ratio varies depending on the type of loan you qualify for, but the standard debt-to-income ratio is 36% of your total income each month.

DTI Exercise

If you have debt, calculate your debt-to-income ratio by first adding up all your monthly debt and your monthly income. Then use the equation below.

$$\text{Total Monthly Debt} / \text{Monthly Income} = \text{Debt-to-Income Ratio} \\ \underline{\hspace{2cm}} / \underline{\hspace{2cm}} = \underline{\hspace{2cm}} \%$$

**If your debt-to-income ratio is above 36%, contact a credit counseling service (see Resources section) immediately to see how you can lower your DTI.*

Capital

Depending on the type of loan, lenders are interested in how much of your own money you will pay upfront. Lenders consider all assets you own in case you need to sell them to repay your loan.

Since value means something different to everyone, it is important to ask lenders what they consider "capital".

Collateral

Your lender will often ask you to choose something of value as a guarantee that you will repay your loan. If you are unable to repay the loan, your lender will take the item as repayment. You might use your savings account as collateral for a loan. Lenders never want to **repossess**, or take a borrower's collateral due to failure to pay money owed, unless they have no other choice.

Again, what you think can be used as collateral may be different from what your lender thinks, so be sure to discuss this with your lender.

STEP 8: Credit Interview

After you complete a loan application, you will go through an interview with a loan officer. It is the loan officer's job to review the loan application with you to make sure that it is complete. The loan officer will probably ask you some specific questions about your loan request. For example, the officer will want to know how you will use the money. It is the loan officer's responsibility to make sure the money borrowed will be used for the stated loan purpose. Be cooperative and provide all of the information requested.

STEP 9: Credit Scoring

Next, the lender uses a credit scoring "card" to evaluate the application. The credit scoring system is based on the lenders past experiences with borrowers. An applicant's score is calculated by assigning points to the amount of income and debt, the length of time at residence, whether the applicant owns a house or rents, and the credit interview.

Lenders do not provide applicants with specifics about their scoring system. They do not want to influence how an applicant completes the application.

STEP 10: Evaluating the Deal

While it is exciting to get approved for a loan, you need to look at all the costs and terms involved with a possible loan before you sign the dotted line. If you rush into a car loan, you might pick up debt that you cannot afford, which could mean losing your car and owing money on the loan.

Lenders are required by law to tell you the total cost of a loan. Be sure to ask about all the costs involved (shown below) and calculate the total cost of credit.

Loan Rates, Terms and Fees

When you borrow money, the lender charges you interest. Usually, interest is paid in small amounts over the life of a loan. Every monthly payment includes repayment of some of the borrowed amount (**principal**) and some of the cost of borrowing the money (interest) - (i.e. Monthly Payment = Principal + Interest).

There are several parts of a loan that will impact your monthly payment. These are interest rates, terms (including down payment), and fees.

Read through the following examples to see how the cost of credit can change.

The higher the interest rate, the greater the cost of credit.		
Interest Rate	8%	14%
Loan Amount	\$3,000	\$3,000
Number of Monthly Payments	48	48
Monthly Payment	\$73.24	\$81.98
Total Amount of Payment	\$3,515.46	\$3,935.01
Cost of Credit	\$515.46	\$935.01
The longer the term of the loan, the lower the monthly payment but greater the cost of the credit.		
Interest Rate	12%	12%
Loan Amount	\$3,000	\$3,000
Number of Monthly Payments	36	60
Monthly Payment	\$99.64	\$66.73
Total Amount of Payment	\$3,587.15	\$4,004.00
Cost of Credit	\$587.15	\$1,004.00
The higher the down payment, the lower the loan amount, monthly payment, and the cost of credit.		
Down Payment	\$450	\$0
Interest Rate	12%	12%
Loan Amount	\$2,550	\$3,000
Number of Monthly Payments	48	48
Monthly Payment	\$67.15	\$79.00
Total Amount of Payment	\$3,223.26	\$3,792.07
Cost of Credit	\$673.26	\$792.07

TIP: As you look for the right loan, be sure not to agree to anything that you do not understand. For assistance contact a credit counseling service in your community (see *Resources* section).

Beware of Loan Fees and Balloon Payments

Loan fees are charges added by the lender to the cost of borrowing money. For example, the sample application above collects fees for applying and also for processing. Loan fees should never be more than 5% of the total loan amount unless you are paying a lower interest rate.

Balloon payments offer lower interest rates for shorter-term loans. At the end of this term, lenders will require you to refinance (get another loan with different costs) or pay whatever is left on the loan in one lump sum. A refinanced loan can cost you even more money because loan fees and rates can change.

Predatory Lending

While most lenders can be trusted, some cannot. **Predatory lending** is when a lender directs a borrower away from loans with more affordable interest rates. Instead, the applicant is offered a loan with a high interest, questionable fees, and unnecessary charges. Predatory lenders often target low- and moderate-income persons, underserved populations, and the elderly.

Here are things to look for to make sure you are not a victim of predatory lending.

- They offer loans that are **NOT** based on your ability to repay the loan.
- They charge unusually high interest rates for a loan.
- They include hidden fees.

What you can do if denied for this reason

- **Do not authorize anyone to run a credit check unless you are making a purchase.** Check your credit report for unauthorized inquiries and have them removed. Remember, you should check your credit report at least once a year for errors.

SUMMARY

Reciprocal trading shows us how individuals had to be in agreement with one another over the goods or services to be traded, as well as how much they were worth. This complex system called on people like the lawai'a and the k̄alai wa'a to make wise trades by weighing the **a**_____ (benefits) and **d**_____ (costs) such trades brought with them. By making wise trades in this way, the Hawaiian people were able to best meet the needs of all 'ohana and strengthen the ahupua'a for future generations without having to save an abundance of resources in advance.

Whenever we use credit today, we too have to understand its costs and benefits, or we risk feeling the financial impact of our unwise decisions. Anytime we use our credit card to purchase something or get a loan to buy a car or afford college, we are using credit. In fact, using credit cards and getting car loans are the two most common uses of credit by young adults. In order for such uses of credit to benefit us, we must first understand how to do so responsibly.

You can use a credit card responsibly by first deciding whether it is right for you or not. This includes, understanding its "Terms and Disclosures" (**i**_____**r**_____, **g**_____**p**_____, and **a**_____**f**_____), knowing the difference between **s**_____**u**_____ credit cards, and getting advice from **c**_____**c**_____ or banks and credit if you need assistance. If it turns out that getting a credit card is a wise decision, then it is important to weigh every purchase decision made with the card in order to avoid **i**_____**b**_____, **p**_____**p**_____, and unnecessary debt.

In much the same way, using a car loan responsibly requires you to first determine if buying a car is a wise decision. This means you have to weigh the benefits of having your own gasoline powered vehicle with the **o**_____, **i**_____, and registration and licensing costs. It is also important to know how much you can afford as a **d**_____**p**_____ and borrow (if needed), what you want and need in a vehicle, and compare different cars accordingly. Once completed, you can best explore all your options, which may include riding the bus or a bike, buying a moped, or carpooling.

If buying a car is your best option, but you do not have the money to pay for it upfront, you will need to follow certain steps to borrow money from a lender and in turn, repay the loan responsibly. First, you will need to apply for a loan through a **m**_____ like a bank, credit union, or even a car dealership. Whether you get approved for a loan or not will depend mostly on the 4 C's of credit – **c**_____, **c**_____, **c**_____, and **c**_____. If you are offered a loan, be sure to evaluate the interest rate, terms, and fees, so you pay the least amount for the money you borrowed and do not become a victim of balloon payments or **p**_____**l**_____. If you need assistance with getting loans or evaluating the deal, free credit counseling services are available in communities throughout Hawai'i.

As you use credit in the future, remember the importance of weighing the advantages and disadvantages of using it to make small purchases with a credit card or large, one-time purchases by getting a loan. Doing so will help us use credit as a tool to build financial resources for ourselves, our families, and our communities without having to save an abundant amount in advance.

STUDENT ASSESSMENT

Complete the following assessment by writing what you knew before the lesson, what you learned during the lesson, and what you want to know more about.

I Knew...

I Learned...

I Want to Know More About...

Page 86

LEARNING BEYOND THE LESSON

Ask an adult in your life about their experiences with credit cards. Were they good or bad? Why?

Share *Lesson 5* with them to show the basics of credit cards and see how their use – good or bad – can impact their chances at getting loans.

What do you think? Section answers.

1. False, one in three United States teenagers carry credit cards and even more have an ATM card.
*LSU Ag Center: Research and Extension. "Youth Financial Literacy Statistics".
2. True, imagine how much debt you could rack up on 4 credit cards if you were impulse buying and experiencing peer pressure.
*Nellie Mae 2000.
3. True, nearly 70% of United States teenagers in 2008 used their credit cards to pay for gasoline. This was up from 46% in 2006 and shows the impact of rising gas prices on our personal finances, as well as the increasing possibility of debt due to purchasing gasoline and the need for alternatives.
*Junior Achievement and The Allstate Foundation.
4. True, low-income households in the United States on average spend 6.1% of their income on transportation; moderate- and high-income households on average spend 3.8% of their income on transportation. The working poor who drive to work spend the most – 8.4% of their income goes to transportation costs. How much do you spend on transportation each month?
*Roberto, Elizabeth. "Commuting to Opportunity: The Working Poor and Commuting in the United States". Brookings Institute.

Lesson 6



OBJECTIVES

In this lesson you will:

- look at the effects of inflation;
- understand the causes and effects of bankruptcy and debt;
- identify different types of insurance for various risks young adults face;
- demonstrate understanding of the insurance process from enrollment to access;
- examine consumer fraud.

WHAT DO YOU THINK?

With a partner answer the following questions as either **True** or **False**.

- 1) _____ The number of 18 to 24-year-olds declaring bankruptcy increased 96% between 1995 and 2005.
- 2) _____ Financial stress is the #1 cause of divorce in the United States.
- 3) _____ Between the first half of 2007 and the first half of 2008, the cost of gasoline in Hawai'i rose half as much as the cost of electricity.
- 4) _____ In August 2008, an estimated 79 million adults in the United States were having problems paying medical bills or were paying off medical debt.

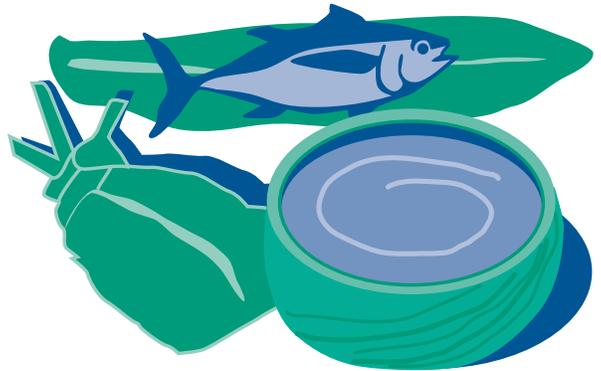
***Answers available on last page of the lesson.**

INTRODUCTION

Native Hawaiians during traditional times understood that losses and unexpected incidents came easily and were a natural part of life. To make sure these losses and incidents did not keep 'ohana from surviving, they used as much skill as possible to avoid and prepare for them in advance.

For instance, preparations for unexpected incidents, such as famine included carving koa and milo wood into bowls for long-term food storage, filling storage pits with sweet potatoes and bread-fruit, and preserving fish for later use. Much hard work went into such preparations. Preserving fish, for example, required 'ohana to scale and clean the fish. Once the fish were cleaned, they were split, salted, and air or sun dried. If stored in a dry place and aired and sunned periodically, these fish could keep for two or three years.

When losses occurred, such as certain foods being overused or depleted within the ahupua'a, the Hawaiian people would alter their diets. In place of the depleted foods, 'ohana would eat underground 'ōlena stems, baked tī roots, and noni fruit, to name a few. Although these foods were not considered enjoyable, they were a necessity when avoiding widespread devastation from the loss of certain resources within the ahupua'a.



Today, unexpected incidents and losses are still a natural part of our lives. As compared to traditional Hawai'i however, our modern economy and dependence on money to buy goods and services puts us in a unique position of experiencing the added impacts of a financial emergency. Every day we see financial emergencies spring up in our neighborhoods, from job losses to unexpected illnesses to home foreclosures. Some emergencies go unnoticed, because they are due to "unwise" decisions when using credit or buying things we do not need. The impacts of these emergencies can leave families and communities struggling to find jobs, housing, and to afford food and energy.

To prepare ourselves for financial emergencies we can follow the Hawaiian peoples' lead and use as much skill as possible to avoid and prepare for emergencies in advance. We can implement the idea of planning ahead by wisely budgeting for our needs and investing in insurance to protect our financial resources (money and assets). If financial emergencies occur, we can take action in our everyday lives, just as the Hawaiian people took action when changing their diets in time of need, by accessing community resources to meet needs and avoiding pitfalls like consumer fraud. Taking these actions and more can prepare us financially to survive any emergency that may come our way.

FINANCIAL EMERGENCIES

Financial emergencies can happen when you least expect them. If your parents get sick and cannot work, you may have to chip in money for food, housing, and other family needs. Due to unforeseen reasons, you could lose your job and your ability to afford your car or college loan. Over time, the cost of everything from food to housing rises and before long your paycheck can no longer cover your expenses. When the prices of goods and services rise, it is known as **inflation**. As inflation drives prices up, your **buying power** (value of your money) decreases. This means that you either have to change the way you live and budget your money, or if you have planned ahead, rely on insurance and emergency savings.

Bankruptcy and Debt

Debt can trap you financially, keeping you from reaching your savings and life goals. Every time you use a credit card, get a loan, or fail to pay your bills, you accumulate more debt. Debt accumulation becomes a serious issue, especially if you are already struggling to buy food, pay for housing, afford healthcare, and meet other needs. No matter the reason, if you stop paying back your debt, creditors and lenders have the right to refer you to a **collection agency**. A collection agency is a business that specializes in obtaining payments from debtors who have failed to repay their loans. Creditors and lenders also have the option of **wage garnishment**, which allows them to take money directly from your paycheck as issued by the courts. You can avoid collection agencies and wage garnishment by doing one simple thing - ALWAYS COMMUNICATE WITH YOUR CREDITORS AND LENDERS.

Once your debt becomes so large that you cannot pay back the people you owe, you can file for **bankruptcy**. This is a tedious legal process that requires you to go to court. If your bankruptcy file is approved, some or all of your debt may be forgiven, but your credit report will be tarnished for 10 years. Bankruptcy will lower your credit score, have severe impacts on your credit rating and will make it extremely difficult to borrow money in the future.

Avoiding a Financial Emergency

The traditional Hawaiian people were able to pass along a prosperous way of life and resources to their children because they weighed the advantages and disadvantages of their decisions. They knew their actions would impact the lives of future generations. To make sure you do not fall deeper into debt or bankruptcy from a financial emergency, use the Tree of Decisions to weigh the advantages and disadvantages of your purchases.

You can also avoid financial emergencies in the following ways:

- Set Up an Emergency Fund
- Prioritize Your Budget
- Communicate With Creditors & Lenders

Set Up an Emergency Fund

Take another look at your budget and savings. Do you have enough money saved to cover your basic needs and living expenses for the next 3-6 months? If not, how much money can you start saving monthly for an emergency fund?

The best way to prepare for a financial emergency is to start planning today. The rule of thumb in establishing an emergency fund is PAY YOURSELF FIRST. With an emergency fund you can be sure to have a fall-back plan if something unexpected happens. Be sure to keep your emergency fund and savings separate. This will make it easier to leave it alone.

Prioritize Your Budget

Prioritize your budget from *Lesson 2* so that it better fits your needs and cuts out your wants.

A good way to start this is to:

- first, identify your needs and wants;
- second, highlight your wants;
- third, take the total amount of your wants and divide by 2. This is the amount you should aim to save for an emergency fund.

Emergency Budget Exercise

Complete the Emergency Budget below by following the directions above.

	EXPENSES	ORIGINAL AMOUNT	EMERGENCY AMOUNT	NEED OR WANT
SAVINGS	Emergencies			
	Short-Term			
	Mid-Term			
	Long-Term			
	Subtotal			
LIVING	Rent			
	Utilities			
	Cable			
	Internet			
	Miscellaneous			
Subtotal				
TRANSPORTATION	Car Payment			
	Insurance			
	Fuel			
	Parking			
	Repairs			
	Public Transportation			
	Miscellaneous			
	Subtotal			
FOOD	Groceries			
	Meal Plan			
	Dining Out			
	Miscellaneous			
Subtotal				
HEALTH	Doctor			
	Dentist			
	Eyes			
	Insurance			
	Miscellaneous			
Subtotal				
PERSONAL	Cell Phone			
	Entertainment			
	Clothing			
	Laundry			
	Miscellaneous			
Subtotal				
	TOTAL EXPENSES			
	TOTAL INCOME			
	NET INCOME (= TOTAL INCOME – TOTAL EXPENSES)			

Communicate With Your Creditors and Lenders

If you already have debt make a list of everyone you owe, how much you owe, and the monthly payment and date each bill is due. Call your creditors (credit card and electric company) and lenders (car loan providers) to inform them of your situation. They might offer payment plans, including **deferral** (temporarily stop) or **forbearance** options.

Tips on Paying Off Debt

- DO NOT GET ANOTHER CREDIT CARD OR LOAN TO PAY OFF EXISTING DEBT. Either of these will simply push you deeper into debt and make you weaker against another financial emergency.
- DO NOT RUN AWAY FROM YOUR CREDITORS AND LENDERS.

Getting By In a Financial Emergency

If you find yourself in a financial emergency there are different community resources available to assist you. These resources are tools to help you meet your needs while your funds are low, and not to give you support for your lifetime. In the end, the only person who can provide for your needs is you.

Community Resources

Need Served	Program	Description
Food	Food Stamp Program	<ul style="list-style-type: none">• helps cover the cost of food for low-income households• in Hawaii a one person household cannot have a monthly take-
Housing	Federal Public Housing Program (FPHA) & State of Hawaii Public Housing Program	<ul style="list-style-type: none">• assists low-income individuals and families get into affordable housing• there is a long wait list to get into Federal Public Housing Program
Housing	State of Hawaii Rental Supplement Program or Section 8 Program	<ul style="list-style-type: none">• provides rental supplement (money) to help low-income families pay monthly rent
Health Care	COBRA Coverage	<ul style="list-style-type: none">• if you have been laid off (fired from a job), this program allows you to continue employer-provided health insurance while you look for another job• you get the insurance at a group rate, but have to pay the full cost of the premium (monthly cost of insurance)
Health Care	Medicaid	<ul style="list-style-type: none">• helps individuals who do not qualify for COBRA coverage• you help pay for Medicaid when you pay taxes out of your paycheck
Health Care	State Child Health Insurance Program (SCHIP)	<ul style="list-style-type: none">• provides low- or no-cost health insurance to cover doctor visits, prescription medicines, and hospitalizations for uninsured youth under the age of 18
Health Care	Med-Quest	<ul style="list-style-type: none">• provides health coverage for eligible lower income Hawai'i residents without insurance
Income for Families with Children & Unable to Work	Temporary Assistance to Needy Families (TANF)	<ul style="list-style-type: none">• provides cash assistance to low- to no-income families that are unable to work and have children under age 18• TANF also can fund costs related to getting and holding a job, such as training, transportation, and childcare expenses

**For more information on the community resources listed above see the Resources section.*



Things You Can Do To Cut Spending When In a Financial Emergency

- NEVER carry more money with you than you have budgeted to spend
- CREATE a grocery list before shopping for food
- SHOP around for grocery sales (buy one; get one free)
- BUY your clothes from discount stores or second-hand
- TAKE the bus, ride your bicycle, or carpool instead of driving alone in your car
- GO to the beach instead of paying to go to the movies or to eat out with friends

INSURANCE

In traditional Hawai'i, to ensure the community's needs could be met throughout the year, the konohiki created a resource management plan. Today you too can plan ahead in case something happens to your financial resources.

A common way to plan ahead is to invest in **insurance**. Insurance provides you with money in the event you are hurt or your assets are damaged. There are several types of insurance that cover different emergencies. To receive insurance, you must "pay money forward", or make a monthly payment called a **premium**. For example, Akamai in *Lesson 1* pays her unemployment insurance premium when social security payments are taken out of each paycheck. Since social security covers unemployment insurance, if Akamai is laid off from work, she would receive some money while looking for another job.

Insuring Your Risks Exercise

Complete the table below by writing in an example of when the insurance could be used.

Type of Insurance		
TYPE	DEFINITION	EXAMPLE OF WHEN USED
Homeowner's	Pays for cost of losses due to damage or destruction of a home	
Renter's	Pays for cost of losses due to damage or destruction of personal property in rental housing	
Health	Pays for hospital and medical treatment	
Disability	Provides a monthly income to a worker who becomes disabled	
Worker's Compensation	Provides a monthly income to a worker who is injured at work	
Term Life	Provides money to family member(s) left behind (beneficiaries) after the insured person's death; coverage for a specific period of time	
Whole Life	Provides money to family member(s) left behind (beneficiaries) after the insured person's death; coverage for insured person's whole life	
Long Term Care	Provides the cost of care not covered by health care, Medicare, or Medicaid; for individuals unable to perform daily living activities like dressing, bathing, walking, etc.	
Unemployment	Pays partial salary to workers who are laid off from their jobs	Getting fired suddenly and needing money to buy needs while looking for another job.

List things you can do in your everyday life to avoid the risks without having insurance.

- 1)
- 2)
- 3)
- 4)
- 5)

How Insurance Works

Insurance might seem complicated, but once you have to use it you will never forget how it works. Unfortunately, when it comes time to use insurance most young adults do not even know the proper steps they need to take if in an emergency. The following section will help you identify those steps.

Using Insurance Exercise

Read the story of "Reiki's Wreck" and write down the steps he takes to use his car insurance.



Reiki's Wreck

Reiki and his friend spend most of their weeknights and every weekend surfing. One night, after catching breaks at Ala Moana Bowls, he straps his and his friend's boards onto the roof of his jeep and starts backing out of his parking spot. Reiki does not look in the rear view mirror and the next thing he knows...SMASH! The back end of his jeep crushes the front end of a brand new Cadillac Escalade.



Reiki gets out and so does the driver of the Escalade. The other driver does not even look at Reiki, but instead looks at his car's front end and starts calling the police immediately. Reiki begins to worry.

"No worries, brah," the Escalade driver says, "We just need the police to complete an accident report so insurance can take care of this."

While the other driver is on the phone, Reiki gets his car's registration and insurance information out of the jeep's glove box. When the other driver gets off the phone, he is nicer than Reiki thought he would be and only says, "Hey, this is exactly what insurance is for." Reiki and the Escalade driver exchange their information, including phone numbers and names.

After a few minutes, a police car pulls up and a police officer starts asking Reiki and the driver of the Escalade questions. Then, the officer questions Reiki's friend, so they can get an eye witness to testify who was responsible for the wreck. Everyone agrees it was Reiki's fault for not looking in his rear view mirror before backing out.

Once the police officer writes down the car damages and completes the accident report, Reiki and the driver of the Escalade are free to go. As soon as Reiki gets home that night, he calls his insurance company to report the accident. They inform him that the driver of the Escalade had already called to say that he was filing a **claim**, so Reiki's car insurance would begin going through the necessary steps to pay for the damages caused by the accident.

About one week passes and Reiki gets a phone call from the Escalade driver's car insurance company. They ask him questions about the accident and for the name and contact number of his friend, so they can get his side of the story. Reiki first asks, "Why you need my friend's name and number?" The car insurance operator tells him, "It's just standard procedure to get stories from both parties involved in accidents as well as an eye witness so they have all the necessary information to file the insurance claim."

A few more weeks pass and Reiki gets a letter from his car insurance company explaining the overall cost it will take to repair the damages to the Escalade and his **deductible** (fixed amount of money that must be paid each time a person's car is repaired under an insurance policy). He has his dad, who is a car mechanic, double check the costs for repair to make sure nothing is over-priced. His dad says, "Everything looks good Reiki. You know, you lucky you have insurance boy, because it would've cost you a fortune to pay for repairs on that Escalade without it."

Car Insurance Bill

Total Repair Costs	\$	2,555.00
- Exclusions	\$	0.00
- Deductible	\$	500.00
<hr/>		
Repair Costs Covered.....	\$	\$2,055.00
You Owe (deductible)	\$	500.00

Over the next month Reiki earns enough money to pay for the deductible. His car insurance company then writes a check to the Escalade driver, so he can make repairs to his car. When Reiki gets sent his new insurance bill, he sees that he now pays \$15 extra each month for the same car insurance. "Oh well," he thinks to himself, "the accident could've cost a lot more. Next time, I'll look in the mirror before I back out."



With a partner, write down the steps Reiki (and the driver of the Escalade) take after the accident, so they can use car insurance to pay for the damages.

- 1)
- 2)
- 3)
- 4)
- 5)
- 6)
- 7)
- 8)



CONSUMER FRAUD

Did you know that consumer fraud is one of the fastest growing crimes in the United States? **Consumer fraud** happens when you (the consumer) are led to believe you are buying or investing in something that benefits you, but are actually being misled so your money and/or assets can be taken away from you. All cases of consumer fraud are serious, but the most severe ones can lead you into a financial emergency in the blink of an eye.

There are different types of consumer fraud, including:

- Identity Theft
- Telephone and mail solicitations
- Internet fraud
- Income tax fraud

Each of these types of consumer fraud will be discussed in the following section along with ways you can avoid them and how to take action if you become a victim.



STEP 2 – Check your credit report.

Check whether the major credit reporting agencies have accounts in your name that were opened without your consent. Ask them to place a “fraud alert” on your file.

STEP 3 – Keep records of all correspondence.

Keep record of the names and phone numbers of people you discussed your case with, and of all reports and supporting documents. You may be advised to close some or all of your accounts. At the least, change your PIN codes and passwords immediately.

SUMMARY

Life in traditional Hawai'i provides an excellent example about planning for tomorrow. The Hawaiians knew unexpected incidents would come easily and naturally, so they use much knowledge and skill to avoid the struggles such incidents would bring.

When **i**_____ increases the prices of goods and services, we are all at risk of experiencing a financial emergency that could come more easily and naturally than we think. Financial emergencies can be caused by not weighing the benefits and costs of our financial decisions or they may happen due to no fault of our own. Unfortunately, the main effect of financial emergencies is excessive **d**_____ that, if unpaid, can result in our indebted accounts to be transferred to a **c**_____ **a**_____ or paid through **w**_____ **g**_____ (money taken by creditor directly from our paycheck). If we are unable to pay back our excessive debt, we should contact our creditor/lender and ask about **d**_____ and **f**_____ options. As a last resort, we can file **b**_____ (a legal process that clears us of debt owed others, but in turn, damages our credit report and our ability to access resources needed to stay out of future financial emergencies).

To address the impacts of financial emergencies we can look to the example set by the Native Hawaiians and build the knowledge and skills needed to avoid the struggles such emergencies bring. When in a financial emergency this could mean prioritizing needs and cutting wants in our budget, saving regularly toward an emergency fund, or accessing community resources like food stamps, Med-Quest, and Temporary Assistance for Needy Families (TANF). It also could include preparing for future emergencies by investing in **u**_____ insurance in case we lose our job unexpectedly and need financial resources to survive or in **h**_____ insurance in case we get sick and have to pay medical costs and hospital bills. As long as we pay our **p**_____ (monthly insurance policy payment) we can access our insurance and make a **c**_____ in a time of need.

The growing “Internet Age” has made **c**_____ **f**_____ one of the fastest rising crimes in the United States. The most well-known type of consumer fraud is **i**_____ **t**_____ where someone steals another person’s personal information and pretends to be them so they can access bank accounts, get loans, open credit cards, or rent apartments. Victims of consumer fraud can get assistance by contacting the Federal Trade Commission (see *Resources* section).

Addressing and preparing for financial emergencies in the ways listed above allows us to build knowledge and practice skills that empower us as independent managers of our financial resources and futures.

Lesson 7



Building a Career, Improving Your Community

Kamaka Kani Kapila

OBJECTIVES

In this lesson you will:

- identify a life goal and develop a plan and timeline for achieving it;
- create a business plan;
- discover the meaning and benefits of philanthropy;
- learn how to file taxes.

Page 101

WHAT DO YOU THINK?

With a partner answer the following questions as either **True** or **False**.

- 1) _____ College graduates have an average of \$10,000 in combined education loan and credit card debt.
- 2) _____ More students drop out of college due to credit card and college loan debt than academic failure.
- 3) _____ 25% more young adults between the ages of 18 and 29 in the United States would rather start their own business than work for someone else.
- 4) _____ In 2002, it was estimated that low-wage workers and their families lost out on more than \$6.5 billion and up to \$12 billion by not filing for Earned Income Tax Credits they were eligible for.

***Answers available on last page of the lesson.**

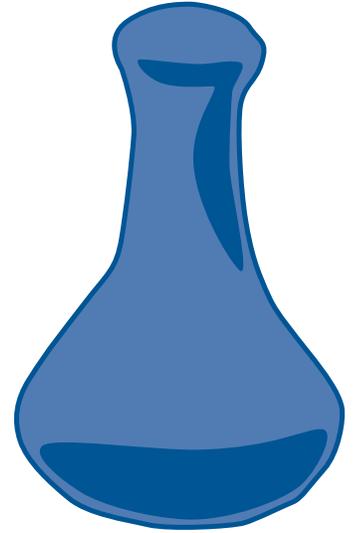
INTRODUCTION

As 'ohana, ahupua'a, and even islands became more specialized in specific skills, the subsistence economy of traditional Hawai'i became stronger and more complex. Generations of 'ohana became committed to specific careers (roof thatchers, stone grinders, hula dancers), while individuals like the taro cultivator became experts in their skill.

The subsistence economy of traditional Hawai'i created an environment where Native Hawaiians flourished and prospered from generation to generation. As keiki (children), each person was taught to live pono, or work to improve the prosperity of the Hawaiian people as a whole, not for personal gain or glorification. This included the kuleana (responsibility) of mastering a specific skill or career, or simply paying tribute to the ali'i. It might also have included the kuleana of assisting one's own, or other, 'ohana with building homes, preparing the pāina (feast), or going hukilau (collective fishing). Overall, living pono in traditional Hawai'i meant building the "wealth" and "standard of living" of all Hawaiians.

Today our community still has many needs. Unlike traditional times, most of us work to meet our own needs before helping meet those of our family or neighbors. Since we now use money to buy goods and services, life for many of us and our neighbors has faded away from the kuleana of living pono to earning more money and owning more assets.

As we work to meet our needs – from housing to food to education – we look for direction from the traditional value of living pono to lead us and our community into a brighter future. To improve our community in modern times, we not only have to put the needs of family and community before our own, but we have to also discover our personal kuleana in making this happen, the skills we need to meet this responsibility, and the community resources that can sustain us - individually and collectively - along the way.



IDENTIFYING LIFE GOALS

Before you can work to improve your community, you first have to understand your place in making this happen. Too often people think their life goals and their community's goals have to be separate, but the truth is that they are one-in-the-same. If you build your skills to take on certain responsibilities (or career), you are in turn building a stronger community.

Your Life Goals Exercise

In the section below, identify 3 life goals, what you can do now to work toward them, resources needed, and how reaching those goals would improve your community.

Goal #1 _____

What I can be doing now to work toward this goal

The resources (i.e. education, money, etc) I need to reach this goal



How would reaching this goal benefit my community

Goal #2

What I can be doing now to work toward this goal

The resources (i.e. education, money, etc) I need to reach this goal

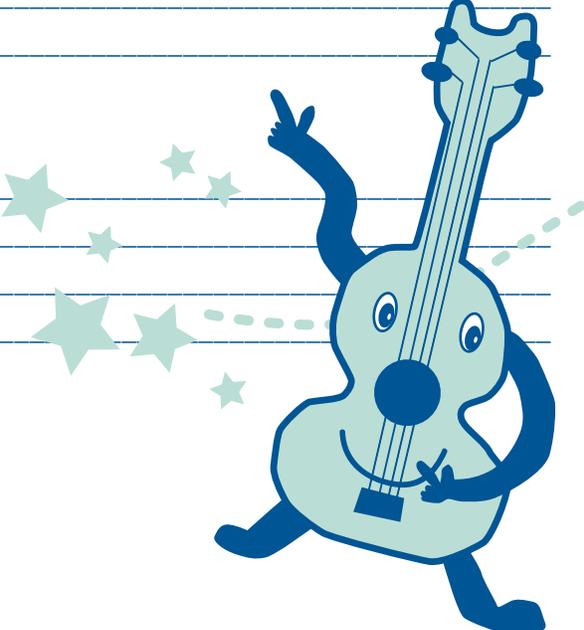
How would reaching this goal benefit my community

Goal #3

What I can be doing now to work toward this goal

The resources (i.e. education, money, etc) I need to reach this goal

How would reaching this goal benefit my community



It All Starts With Education

No matter what your life goals are, you will need skills and knowledge to follow them through. Overall, when it comes to education and pay, the more you learn, the more you earn (see graph below). Even for the most basic jobs, you will need good writing, reading, and math skills. Also, in many jobs, you work as part of a team with your co-workers, so you have to be able to communicate clearly in the workplace language.



High School Diploma

How you do today in high school will impact your chance at reaching your life goals. For example, if you get good grades you will qualify for more college scholarships, which means you could end up paying a lot less in tuition or even have extra money to help with personal expenses as if you were getting paid to go to college.

If you do not have a high school education and the other skills you need for today's jobs, it is not too late. You can take classes to earn a GED, learn another language, or build other valuable workplace skills in different places throughout Hawai'i (i.e. Job Corps).

**For information on GED programs in Hawai'i see the Resources section.*

Extra Curricular Activities and Volunteering

Being involved in **extra curricular activities**, like sports or after school clubs will often build important skills like teamwork and communication. If you are lucky, you might even receive a college scholarship for athletics, or for your knowledge in a specific field of study.

Another way you can build skills and directly benefit your community is by **volunteering**. Volunteering builds your skills in certain fields and allows you to make connections with leaders in your community, while providing important services for your neighbors. Volunteering can also increase your chances of getting scholarships for college. Even though people giving scholarships look at your high school grades, they also look closely at what you have done to improve your community.

**For information on volunteer opportunities in Hawai'i see the Resources section.*

Post-Secondary Degrees

A post-secondary degree is also known as a college degree. There are many different types of post-secondary degrees, including:

- **Certificate:** An award earned from a trade school for the successful completion of a specified number of units in a specific technical program
- **Associate's:** A two-year degree earned from a community college for successful completion of certain career program and prepares the student for further study
- **Bachelor's:** A four-year degree earned from a public or private university for the successful completion of a specific undergraduate program

The type of degree that you will need to reach your life goal depends on the training and qualifications required.

**For information about training and qualifications necessary for different jobs, what they pay, and the outlook for job growth see the Resources section.*

Post-Secondary Schools

Each of the degrees above can be earned by graduating from the following post-secondary schools:

- **Trade school:** School that gives its students the skills needed to perform a certain job or jobs; also known as vocational school
- **Community college:** A two-year school that gives its students the education to earn a certificate and/or associate's degree; also known as junior college
- **University:** A four-year school that gives its students the education to earn a bachelor's degree in a variety of programs; can either be public (receiving government funds) or private (not receiving government funds). Private universities tend to be more expensive.

TIP: If you attend a trade school or community college, you can always transfer your credits (record of classes you have already taken) to a university if you decide to try for a bachelor's degree. Different universities have different rules on accepting transferred credits, so be sure to contact the university to find out their rules.

Cost of Education

The chart (on the next page) shows all the colleges and universities in Hawai'i and their costs. Note that as a resident of Hawai'i you pay "in-state" **tuition** (cost) for public colleges and universities. In-state tuition is a lot less than "out-of-state" tuition. If you go to a public college or university outside of Hawai'i, you will have to pay out-of-state tuition. Vocational schools and private colleges and universities charge the same tuition no matter if you are from in-state or out-of-state.

Paying for Education

The costs of getting a degree from a post-secondary school should NEVER keep you from applying. Every post-secondary school offers **financial aid**, or money to help pay for school, through grants, scholarships, work-study, and finally, loans as a last resort.

529 Plans

It is also never too late for you or your parents to start saving money for your education. If possible, your parents can contribute to **529 plans** (tax-free ways of setting aside money for post-secondary education). There are 2 types of 529 plans:



Post-Secondary School Comparison Chart

POST-SECONDARY SCHOOL	AVERAGE TUITION (AVG. COST)	POST-SECONDARY DEGREES OFFERED	PROGRAMS OFFERED	TYPE
Hawaii Community College (Hilo)	\$1,176/year	Associates, Certificate	Varied	Public College
Honolulu Community College (Hon.)	\$1,176/year	Certificate, Associates	Varied	Public College
Maui Community College (Kahului)	\$1,176/year	Certificate, Associates	Varied	Public College
Windward Community College (Kaneohe)	\$1,176/year	Certificate, Associates	Arts & Humanities, Business	Public College
Kapiolani Community College (Honolulu)	\$1,176/year	Certificate, Associates	Varied	Public College
Kauai Community College (Lihue)	\$1,176/year	Certificate, Associates	Varied	Public College
Leeward Community College (Pearl City)	\$1,176/year	Certificate, Associates	Varied	Public College
University of Hawaii (Hilo)	\$2,472/year	Bachelors	Varied	Public University
Brigham Young University (Laie)	\$2,760/year	Associates, Bachelors	Varied	Private University
University of Hawaii (Manoa)	\$3,504/year	Bachelors	Varied	Public University
Travel Institute of the Pacific (Honolulu)	\$3,969/total	Certificate	Tourism and Travel Mgmt.	Trade School
Hawaii Technology Institute (Honolulu)	\$5,700/total	Certificate	Data Processing & Proc. Tech.	Trade School
Hawaii Institute of Hair Design (Honolulu)	\$7,251/total	Certificate	Barbering/Barber	Trade School
Med-Assist School of Hawaii Inc (Honolulu)	\$8,104/total	Certificate	Medical/Clinical Assistant	Trade School
New York Technical Institute of Hawaii (Hon.)	\$8,535/total	Certificate	Automobile/Automotive Mechanics Technician	Trade School
Heald College (Honolulu)	\$9,900/year	Certificate, Associates	Business, Communication & Media, Health & Medical Services, Technology	Trade School
Hawaii Business College (Honolulu)	\$10,980/year	Certificate, Associates	Business, Communication & Media, Health & Medical Services, Technology	Trade School
Hollywood Beauty School (Aiea)	\$11,450/total	Certificate	Cosmetology/Cosmetologist	Trade School
Hawaii Pacific University (Honolulu)	\$11,550/year	Cert., Assoc., Bachelors	Varied	Private University
University of Phoenix (Honolulu)	\$11,550/year	Cert., Assoc., Bachelors	Varied	Private University
Chaminade University (Honolulu)	\$14,330/year	Associates, Bachelors	Varied	Private University
Remington College (Honolulu)	\$16,005/year	Cert., Assoc., Bachelors	Business, Communication & Media, Health & Medical Services, Technology, Security & Protective Services	Private University

*Campus Explorer (<http://www.campusexplorer.com/colleges/in/Hawaii/>). Retrieved on 8/7/2008.

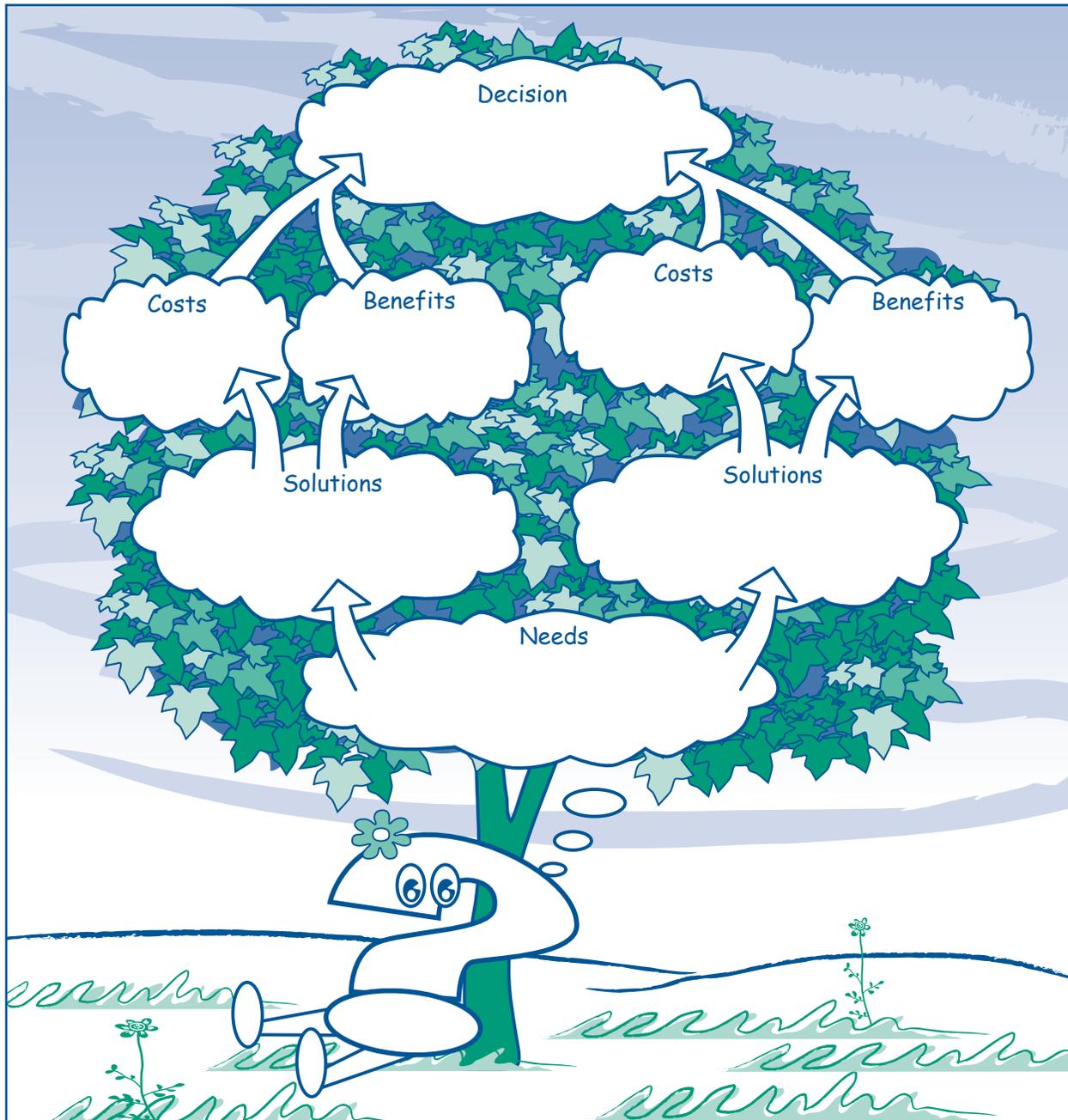
- **Pre-paid 529 plans** allow your parents to purchase **tuition credits** (units needed to earn a degree) to be used in the future. This allows you to pay for a credit at the price post-secondary schools charge today, even when the cost to attend that school rises in the future. These plans may be administered by financial institutions or the State government.
- **Savings 529 plans** offer a variety of options that fit your needs. These plans are only administered by the State government.

Financial Aid

As explained before, you can receive financial aid for your grades and community involvement. You can also receive financial aid based on need (how much money you and your family have available to pay for school). To receive this type of financial aid you will have to complete a **FAFSA**, the Free Application for Federal Student Aid. This application is for federal student financial aid and is processed at no cost to determine a student's eligibility for federal grant, loan, and work funds.

Tree of Decisions Exercise

Complete the following Tree of Decisions to help you weigh the benefits and costs of working for someone else and starting your own business.



Finding Your Niche

If you have decided that starting a business is right for you, it is time to find the right business idea, or your niche. Finding your niche is simple – find a community need and a way to meet it. For example, if you walked around your neighborhood and saw lawns overgrown with weeds and tall grass, because no one wants to pull weeds or mow, you could probably do well starting a lawn business. On the other hand, if you tried to start a business of making and selling slippers just because you like to make slippers, you might find that your neighbor already makes and sells slippers in your community. This would make it very hard for your business to take off.

Knowing your skills, interests, and abilities is another important part of finding your niche (see *Lesson 1, Steps to Getting a Job* section). Obviously, your business will be more likely to grow and prosper if you have skill and interest in what you plan to do.

Business Niche Exercise

Complete the table below by identifying 5 needs in your community and 5 ways you could meet those needs.

FINDING YOUR NICHE

What does your community need?	How could you meet the need?

Business Needs

Once you have found a community need and a way to meet it, you should make a list of the things your business would need to get the ball rolling. Take a lemonade stand for an easy example. If you wanted to start selling lemonade in your neighborhood you might have a list of needs that include a table, chairs, signs, cups, pitchers, ice, and of course, the lemonade. At the beginning of the business you might not have everything you need, but remember if you have a good start you can always use the money you earn to get more things on your needs list in the future.

Business Needs Exercise

Choose one business idea from your table above and make a list of equipment, material, and other things needed to start that business. DO NOT include money in your list – that part will be addressed later in the lesson.

1. _____
2. _____
3. _____
4. _____
5. _____

serves as another way for you to promote environmental and community improvement in your own neighborhood.

**For information about charities and non-profit organizations that you can give money to and how they will use it to improve community see the Resources section.*

Giving Time

If you do not have money to give, you can always volunteer your time at a business or organization that is working to promote environmental and community improvement in your own neighborhood. As explained earlier in this lesson, volunteering not only helps improve your community, but also builds your skills.

**For more information about volunteer opportunities in Hawai'i see the Resources section.*

IMPROVING THE COMMUNITY THROUGH TAXES

Filing taxes is another way you support your community. If you have not already, you will have to file your own taxes when you become an **independent**. As explained in *Lesson 1*, taxes that workers pay are pooled together with other workers' taxes and redistributed to community, just as "tributes" were distributed during traditional times. If you have a job and earn a paycheck, you are paying taxes that will later fund projects to improve your community's schools, public transportation, and more.

At the end of each year, you will be sent a **W-2 Form** explaining how much you have paid in taxes through your job. You will use this W-2 Form to complete your **1040 EZ Form** (Federal income tax form) and your **N-11 Form** (Hawai'i State income tax form). There are samples of all three forms included on the following pages.

Tax Forms Exercise

Using the sample W-2 complete the following Federal and State Income Tax Forms accordingly.

a Control number		OMB No. 1545-0008		Safe, accurate, FAST! Use  Visit the IRS website at www.irs.gov/efile .		
b Employer identification number (EIN) 12-2222222		1 Wages, tips, other compensation 16,680.24	2 Federal income tax withheld 1,728.00			
c Employer's name, address, and ZIP code Real World Business Anywhere, HI 96555		3 Social security wages 16,680.24	4 Social security tax withheld 1034.16			
		5 Medicare wages and tips 16,680.24	6 Medicare tax withheld 241.92			
		7 Social security tips	8 Allocated tips			
d Employee's social security number 123-45-6789		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial Last name Nathan Kauakini 231 Any Street Anywhere, HI 96555		11 Nonqualified plans		12a See instructions for box 12 000.00		
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b			
		14 Other		12c 12d		
f Employee's address and ZIP code						
15 State HI	Employer's state ID number 12-2222222	16 State wages, tips, etc. 16,680.24	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name



Child Tax Credit: If you have a child under age 17, you can apply for the Child Tax Credit to reduce the amount of federal income taxes you owe. If your earnings are low, you can receive a refundable credit of up to \$600 for each child. Families with higher earnings can receive a maximum credit of \$1,000 for each child.

Dependent Care Tax Credit: This credit allows families to reduce the amount they pay in federal income taxes to help cover childcare costs. For one child the credit can be as much as \$2,400 and for two or more children you may be able to reduce the amount you owe in income taxes by up to \$4,800.

**For information on Federal Tax Credits see the Resources section.*

Hawai'i State Income Tax Credits

Most states that require you to pay state income taxes on your earnings also give tax credits to help low-income workers and families with children. You can file for Hawai'i State tax credits when you file your State Tax Form (Form N-11). Some of Hawai'i's tax credits include:

Low-Income Household Renter's Tax Credit: To qualify for this state tax credit, the renter must be a Hawai'i resident with an adjusted gross income of less than \$30,000/year and cannot be claimed or eligible to be claimed as a dependent by another taxpayer.

Child and Dependent Care Expenses Tax Credit: Families with one child or more can receive a credit for eligible child and dependent care expenses for the year depending on the family's income. The maximum credit amount a family with two or more children received in 2007 was \$1,200.

**For more information on Hawai'i State Tax Credits see the Resources section.*

SUMMARY

Traditionally, Hawaiians have relied on everyone to live **p**_____, or work to improve the conditions of the community as a whole, not for personal gain or glorification. For generations this made it natural for people to assist each other in building homes, preparing the pāina (feast), and going hukilau (fishing). For this reason, wealth was seen as the well-being of the community and the land, not the amount of money in a person's pocket.

Today, our community still has many needs, and so do we as individuals. This means each of us have a responsibility to help improve our community and our neighbors' ability to meet their needs. We can start by setting life goals that work to improve the community and build careers, receiving the education and skills we need to meet those goals, and rounding up enough resources to make it all happen

Even though planning is important when setting life goals that will improve our community and move us toward a career, modern wisdom tells us that "it all starts with education". Education can include learning basic skills in communication and teamwork by earning a high school diploma or through volunteering and extra-curricular activities. A **b**_____ **d**_____ on the other hand is earned from a college or university and provides us with approximately 4 years of background information in specific career interest, while an **a**_____ **d**_____ or trade school certificate can be earned in about 2 years and is a great starting point if we think, but are not sure, that we want to pursue a bachelor's degree or higher. To pay for such education we can qualify for **f**_____ **a**_____ (i.e. Pell Grants, Perkins Loans, work-study positions) by completing a **F**_____ form every year we attend post-secondary school. Other ways to get money for educa-



tion include applying for scholarships offered by our communities (see *Resources* section) and investing in **5** **P** (tax-free ways of setting aside money for post-secondary education).

With the education we receive we do not have to go out and take the first job we find. Instead, we can live pono by using our knowledge to start a business that directly meets a community need, while improving the environment and our neighbors' lives in general. Of course, starting a business takes many steps – finding your niche in the community, identifying start-up costs, and finally, developing a **b** **p** (document that details the past, present and intended future of a business by including information on product, costs, profits, and long-term goals). Furthermore, we can use our business to promote a **t** **-b** **l** which measures a business' success based on its impact on the health of the planet, our people, and profits and can help us strengthen our local economy by directly serving our community needs.

For those of us who are not interested in a career or starting our own business, we can improve our community by taking part in **p** (give money and other resources to meet community needs), volunteering, and paying taxes so our money can be redistributed to support community services like public libraries and transportation systems. When filing our yearly income tax forms we may qualify for **t** **c** like Earned Income Tax Credit or Childcare Tax Credits.

In the end, if we work to build our own skills and careers because we seek to improve our community as a whole and not for personal gain or glorification, then we have taken the first step toward living pono in modern Hawai'i.

LEARNING BEYOND THE LESSON

Part 1

On your own or with friends, come up with a list of needs in your community and ways to meet them. Does anything stand out as a good business idea? If so, make a list of business needs and complete a business plan to show how your business idea will improve the environment, community, and you and your neighbors' abilities to meet and buy needs.

FINDING YOUR NICHE

What does your community need?	How could you meet the need?

When the business plan is complete, go to your local small business resource center (see *Resources* section) to see how you can start making your business idea a reality.

Part 2

Share your Filing Tax section with an adult. Ask them if they qualify for any of the Federal or State Tax Credits listed above. Encourage them to go to a Volunteers in Tax Assistance (VITA) site for free income tax help.

STUDENT ASSESSMENT

Complete the following assessment by writing what you knew before the lesson, what you learned during the lesson, and what you want to know more about.

I Knew...

I Learned...

I Want to Know More About...

What do you think? Section answers.

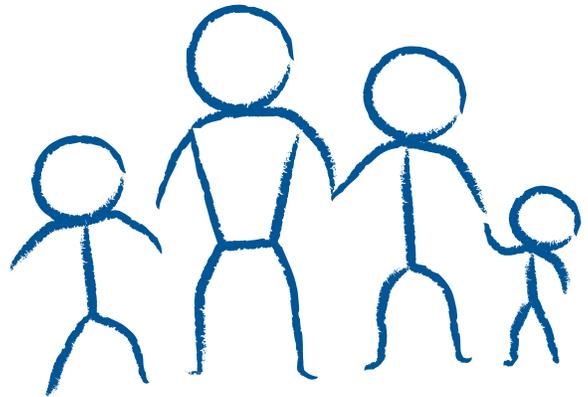
1. False, college graduates have an average double the amount, or \$20,402, in combined education loan and credit card debt.
*Nellie Mae 2002.
2. True, in 2008 40% more college students dropped out of school due to money issues like credit card and college loan debt than due to academic failure. The Pratt Financial Group estimated that 1.5 million college students would drop out of school in 2008 due to these issues.
*Pratt Financial Group. "1.5 Million College Students Expected to Drop Out in 2008 Due to Financial Pressure". (<http://www.pr.com/press-release/97402>). Retrieved 9/2/2008.
3. False, 50% more young adults (or 75%) between the ages of 18 and 29 in the United States would rather start their own business than work for someone else. In fact, it is expected that Generation Y (those between the ages of 18 and 29 in 2007) will be part of a larger economic transformation that will see the largest increase in small business owners in United States history. Would you rather start your own business or work for someone else?
*CNN/USA Today/Gallup Survey. April 2005.
4. True, the Earned Income Tax Credit fund is the largest anti-poverty fund within the United States government, because most low-wage workers and families fail to file for credits they are eligible for. Ask an adult in your life if they know about EITC. Gather information about current qualifying income limits to see if they qualify. If they qualify for EITC but have not filed, they may be able to claim EITC money on their earnings over the last 3 years.
*Government Accountability Office (GAO) 2002.

INTRODUCTION

During traditional times, the Hawaiian people organized together primarily to provide for their most basic need – food. As a result, they placed importance on maintaining strong relationships with one another, but even more so on nurturing their sacred bond with the ‘āina (land). In fact, the Hawaiian people understood the ‘āina to be *the* permanent life-giving force that would provide for their needs as long as they managed her resources wisely, which included the practice of mālama ‘āina (to care for the land). However, if she was exploited and her resources carelessly used without concern for her health, it was believed this bond would be broken and the survival and well-being of future generations lost. For this reason the Hawaiian people sought to reaffirm their spiritual connection with the ‘āina in every aspect of their lives from cultivating taro to dancing hula so as to ensure the passing on of resources and their way of life from generation to generation.

For instance, taro cultivation was considered a highly spiritual practice. Since the kalo (taro) plant was considered to be the “older brother” of the Hawaiian people and son of the ‘āina, males would plant the kalo and cultivate it with great humility and respect. When it came time to harvest they would be sure to save the bottom-half of the root known as the huli, so it could later be planted, more kalo could re-generate, and more ‘ohana could be fed.

By taking great care in how they nurtured the ‘āina and managed the kalo plant, the Hawaiian people were able to not only pass on resources necessary for the survival of future generations, but also passed on a culture and values that promoted the well-being of ‘ohana, the ahupua‘a, and of course, the ‘āina above all else.



Since the introduction of the market economy in Hawai‘i, this once-strong spiritual connection between the people and the land has faded to a point where it is no longer common practice in our everyday lives to reaffirm our sacred bond with the earth. At the same time, we still depend on the land to provide us with the food we need for survival, as well as space to build our homes and community businesses. Yet, instead of nurturing Mother Earth as the Hawaiian people did, we simply extract food or build our houses and community businesses without paying attention to the serious impacts of our actions; an unhealthy Earth = less food produced (or less space available) = more hungry and starving families (or more homeless families and fewer businesses).

In order to once again fulfill our responsibility of ensuring the survival and well-being of future generations, we can learn from the people of traditional Hawai‘i and re-establish our sacred relationship with the land as *the* permanent life-giving force and us, its nurturers. We can begin by first weighing the disadvantages and advantages of our decisions – financial and otherwise - with the understanding that every action we take today will impact the survival of future generations. In addition, we must also explore ways to pass on our financial resources to the next generation, while promoting a way of life and values that place importance on the well-being of the land and our communities above ourselves. We can achieve this today by understanding the role of homeownership and living trusts and wills as investment tools that make it possible for us to pass our financial resources on to our families, as well as form a foundation of thinking that sees value in providing for the survival and well-being of future generations and not for our own personal gain.

By nurturing the land and taking part in wise financial resource management, we can walk with a foot in both traditional Hawai‘i and modern Hawai‘i bringing with us the proven benefits of

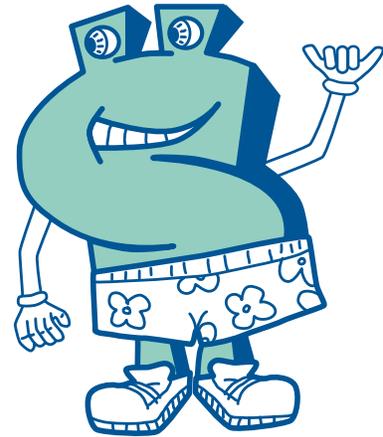


nurturing our sacred bond with Earth and passing on our financial resources as we work to form a future Hawai'i that sustains itself and ensures the survival and well-being of generations to come.

Buying VS Renting

Buying a home is one of the biggest investments you can make in life. Homeownership takes a lot of hard work and education, but can be extremely rewarding if done right.

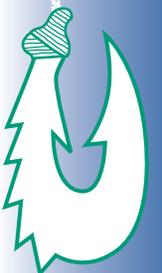
The cost of buying, or even renting, a home in Hawai'i continues to increase. Although owning a home may be your dream, homeownership is not for everyone. The decision to buy a home is greater than the financial implications. You should only buy a home if the lifestyle fits you and of course, if the benefits outweigh the costs.



Tree of Decisions Exercise

Read through the advantages and disadvantages of renting and buying a home (below and on the next page). Then complete the Tree of Decisions on page 129 to decide which option is right for you.

RENTING ADVANTAGES	RENTING DISADVANTAGES
<p>Easier to Move: Renting is flexible. You can change housing as your needs change. It is not necessary to sell your home in order to move, but you have to keep your lease or will be charged.</p>	<p>Limited Choice: The community where you live, especially if it is rural, may offer little or no choice in rental property. You may have difficulty meeting your needs in a rental unit if you have to take whatever is available.</p>
<p>More Amenities: A rental unit can come with shared amenities that might not be affordable in a home. Popular rental amenities include pools, clubhouses, exercise rooms, central air conditioning, playgrounds, and washers and dryers.</p>	<p>No Equity: As a renter you pay someone else monthly rent. This payment goes toward the landlord's equity on the property, meaning the value of their property increases every time you make a payment. It also builds the landlord's credit, but not yours.</p>
<p>Fewer Responsibilities: As a <i>renter</i>, you have few, if any, responsibilities for maintenance and repair. You might have to maintain the yard and keep your place clean, but the cost of building and appliance repair all goes to the <i>landlord</i>.</p>	<p>Few Tax Advantages: Homeowners can deduct mortgage interest and property payments from their taxes, but as a renter, you cannot claim these tax deductions. However, the State of Hawai'i does offer low-income rental tax credits (see <i>Lesson 7</i>)</p>
<p>Lower Initial Costs: Renters are usually only required to put down the first month's rent and a deposit for equal that amount before moving in, which is a lot less money than if you were trying to pay upfront for a home.</p>	<p>Limitations on Renovations and Activities: Renters cannot make renovations as they choose. The landlord determines the kind of changes that can be made. Landlords may also limit the kinds of activities that can take place on the property. For example, renters may not be able to operate a home-based business, perform car maintenance on the property, or own a pet.</p>
<p>Minimal Financial Risk: As a renter, you have no investment in the property. If the value of a rental property declines, you would not be affected.</p>	<p>Rent Increase: Once a lease period has expired, the landlord can choose to increase the rent. The increase may be so much that it could require you to move to less expensive housing.</p>



BUYING ADVANTAGES	BUYING DISADVANTAGES
<p>Personal Control Over Property: Homeowners have greater control over what can be done to the home and the property where it sits. Even though they have greater control over their property, homeowners are still often governed by laws of the county and state, as well as rules of homeowner associations.</p>	<p>Commitment to Place: Buying a home means you are committed to a particular place and if you need to move it can take months or even years to sell the house.</p>
<p>Equity: Homeowners can build equity with their monthly mortgage payments. This equity is an asset that can be returned as profit to the homeowner once the property is sold or re-financed.</p>	<p>Time, Money, and Energy Costs: As a homeowner, you may have to spend a lot of time, money, and energy on your property that you would rather spend elsewhere.</p>
<p>Tax Advantages: Homeowners can deduct mortgage interest and property tax payments from their taxes. This means they have to pay less in taxes each year allowing more for savings.</p>	<p>High Initial Costs: Down payment and closing costs can vary greatly, depending on your situation and the loan products you qualify for. Using your savings for these costs will make less money available for your other needs, so it is important to plan well and have savings set aside to cover needs that may arise.</p>
<p>Individual and Family Needs: Homeownership allows for greater opportunity to meet your individual and family needs in housing. While the rental market may be limited, the purchase market offers greater options, including the option to build a home.</p>	<p>Rise in Costs of Taxes and Insurance: Property taxes can increase significantly over time. Natural disasters or accidents can cause an increase in insurance premiums.</p>
<p>Family Well-Being: Homeownership can contribute to the overall well-being of the family, providing stability for the family and community that renting does not provide. This stability helps to establish long-term relationships with neighbors and community in general, laying the foundation for a "sense of place".</p>	<p>Threat of Foreclosure: Events such as the loss of a job can limit a homeowner's ability to pay the mortgage. If you default on your mortgage payments, you can lose your home to foreclosure (sale of home to pay for mortgage debt).</p>

Renting

If renting is the right fit for you, there are different things you will need to consider. For example, where do you want to live, how much can you pay, will you need roommates, and more. These are all important as you search for a rental.



The following section will cover:

- Your Rental Needs
- Places to Find Rentals
- Renting With Roommates
- Rental Leases



Your Rental Needs Exercise

Answer the following questions to understand your rental needs.

- 1) Where do you want to live? (town, neighborhood, etc)

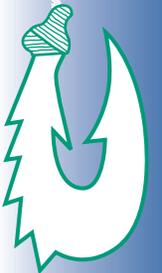
- 2) How much can you afford to pay in rent each month? (it is recommended not to spend over 25% of your monthly income on rent)

- 3) How many bedrooms and bathrooms do you need? (how many people will be living with you, will you need to find roommates, etc)

- 4) What amenities do you want?

<input type="checkbox"/> Lanai	<input type="checkbox"/> Dish Washer	<input type="checkbox"/> Air Conditioning
<input type="checkbox"/> Clothes Washer	<input type="checkbox"/> Pool	<input type="checkbox"/> Yard
<input type="checkbox"/> Clothes Dryer	<input type="checkbox"/> Exercise Room	<input type="checkbox"/> Pet Friendly
<input type="checkbox"/> Parking	<input type="checkbox"/> Wheel Chair Accessible	<input type="checkbox"/> Other: _____

- 5) Do you want to rent a house or an apartment?



Places to Find Rentals

There are many different places to find rentals once you know your rental needs. You can search your local newspaper or even look for postings at the nearby grocery store or college if there is one in your area. Community sharing websites, like Craigslist (www.craigslist.org) are also great resources for finding cheaper rentals, as well as household goods and more.

Renting with Roommates

Living with roommates is not always easy, but it can decrease your living expenses and provide financial benefits if done right. If you and your roommates are not on the same page however, you could end up in a dispute that could cost you the rental and if you break the lease agreement, you may have to pay rent for the entire lease period you agreed to fulfill.

 **TIP:** *Here are some simple tips to help make sure you and your roommates are on the same page:*

Talk and Listen

Communication is everything. Let people know what is on your mind and let people speak their minds' as well. Most roommate problems happen when either person is not willing to talk or listen.

Spend Some Time Together Before Renting

Your best friend might not be your best roommate just because you have spent a lot of time together. If you are going to be roommates with someone you do not know, be sure to spend some time together, cruise to the beach, or hang out and talk. It is important to get to know the person you are considering as a roommate.

Talk About Financial Arrangements

Money is a touchy subject and therefore, it is a good idea to discuss costs and bills with your roommates right away. For example, you might have to choose whether you will get internet or not, or even something as simple as whose name will be on the bill and who will collect the money.

Be considerate of your roommate's financial situation. Some people may not have the money to afford digital cable, but can work basic cable into their budget. Others may not be able to afford cable at all. Talking about these things is extremely important and can be the difference between you and your roommate(s) getting along or getting into fights.

Ask Before You Use

It is common courtesy to ask your roommate before you use something of theirs. This is especially important to remember with FOOD. Many arguments can happen over roommates eating or drinking something that is not theirs. Remember this when you have a roommate – never get between a roommate and their food. If needed, setup a food plan where you buy and eat together or have separate stashes.

Setup House Meetings

You might think it sounds ridiculous to have house meetings, but having them can be a good way of dealing with issues as they come up. If you have many roommates, this also provides an opportunity for everyone to get together and talk when everyone has time in their days.



Rental Leases

When you rent a place you will have to sign a **rental lease**, or agreement between a landlord and renter (tenant) that identifies and ensures both parties' rights.

Renters Exercise

Read over the following rental lease and check to see if it has everything outlined in the sections below.



Before You Sign a Lease

Here is a list of things to look for before you sign a lease:

1) Names and addresses

- ___ Your name (and those of your roommates, if you have them) with a place for each renter to sign
- ___ The name, address, and telephone number of the landlord or building manager
- ___ A description of the unit, house (or portion of the house) and a description of access to any adjoining areas (lanai or yard for example)

2) Rent and lease terms

- ___ The monthly rent and its due date
- ___ The dates the lease begins and ends
- ___ Lease renewal rules
- ___ Subletting rules (renting to someone else, while your name is on the lease as the primary renter)
- ___ Rules for raising the rent

3) Deposit details

- ___ Deposits you need to make (most landlords require the first month's rent and deposit for equal amount at time of move-in)
- ___ When, and under what conditions, a deposit will be returned and how much interest you will be paid

4) What the rent covers

- ___ Utilities are included in the rent, if any
- ___ Appliances are included in the rent, if any
- ___ Specific parking space is included with the rent, if any
- ___ The cost of parking if it is not included in the rent

5) Maintenance and repairs

- ___ Your responsibilities for maintenance and conduct
- ___ Dates for promised repairs and/or improvements
- ___ How and when you can terminate the lease and how much notice is required
- ___ When the landlord or manager can enter (for repairs, etc) and how much notice they need to give you
- ___ Landlord's responsibility for maintenance and pest control

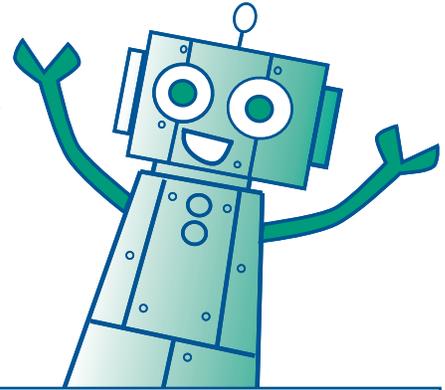
6) Other considerations

- ___ Whether you can add locks if keys are provided to the landlord
- ___ Permission for any pets
- ___ Conditions for painting, hanging pictures, and other decoration



DO NOT SIGN THE LEASE UNTIL:

- all verbal agreements are stated in writing
- seeing the actual unit; a sample may not be the same
- you have visited the neighborhood several times at day and night and on a weekend
- you ask other tenants what it is like to live there (if there are no other tenants, ask neighbors how they like the neighborhood)



Sample Rental Lease

This agreement is entered into this (day) of (month), (year), by and between Miki Leo “Owner” (Landlord) and Kylie Hana “Resident” (Tenant), hereafter referred to as “the parties.”

IN CONSIDERATION OF THEIR MUTUAL PROMISES THE PARTIES AGREE AS FOLLOWS:

1. Owner rents to Residents(s) and Resident(s) rents from Owner, for residential use only, the following “premises” known as: 325 Sunny Lane, Anywhere, Hawai‘i.
2. Rent is due in advance of the first day of each and every month, at \$500.00 per month, beginning on the first day of February 2008. If any rent shall be due and unpaid five (5) or more days after the due date, or if default shall be made by Resident(s) in any of the other covenants herein contained, then Owner, at his option, may terminate the tenancy by law.
3. Owner is given the right to enter and/or inspect the apartment for the following purposes:
 - (a) In case of emergency.
 - (b) To make necessary repairs or improvements, supply necessary services, or exhibit the dwelling unit to prospective or actual purchasers, tenants, or contractors.
 - (c) When Resident(s) has abandoned or surrendered the premises. Except in cases of emergency, or if it is impractical to do so, Owner shall give Resident(s) reasonable notice of his intent to enter Twenty-four hours shall be presumed to be reasonable notice.
4. No pets, barbecues, or dangerous items shall be kept or allowed in or about the premises without Owner’s written permission.
5. No alterations or decorations shall be made by Resident(s) without Owner’s prior written consent. Any improvements to the premises shall become property of Owner at the end of the tenancy.
6. Resident(s) shall pay for any damage or injury to any portion of the premises, common areas, furnishings, fixtures, or appliances, or for personal injury caused by Resident(s).
7. Resident(s) shall pay for all utilities, services, and charges, if any, made payable by or predicated upon occupancy of Resident(s), except monthly water and garbage bills.



8. Resident(s) shall deposit with Owner, as a security deposit, the sum of \$500.00. Owner may claim and withhold from the security deposit only such amounts as are reasonably necessary to remedy Resident's defaults as follows:
 - (a) in the payment of rent; or
 - (b) to repair damages to the premises, if necessary, upon termination of the tenancy. No later than two weeks after Resident(s) has vacated the premises, Owner shall furnish Resident(s) with an itemized written statement of the basis and the amount of any security and shall return any remaining portion of such security to Resident(s).
9. Resident(s) shall neither assign nor sublet these premises or any part thereof or otherwise permit others to occupy the apartment without written consent of Owner. This clause is a special consideration for this contract and its violation shall result in termination of this contract.
10. The undersigned Resident(s), whether or not in actual possession of the premises, are jointly and severally liable for all obligations under this rental agreement.

The undersigned Resident(s) acknowledges having read and understood the foregoing.

Owner Signature
Miki Leo

Resident Signature
Kylie Hana

After You Sign a Lease

After you sign a lease you should keep a copy of your lease in a safe place with other important documents like your social security card.

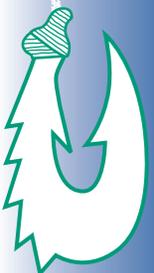
DO NOT MOVE-IN UNTIL you have taken photographs or made a videotape of the condition of every room, the entrances, and any exterior real estate (lanai, lawn, garden, etc) that you have the responsibility of maintaining. Most time landlords will even provide you with a list, so you can mark down the condition of the rental as it is. Be sure to turn the list in within 7 days of signing your lease or else it will be invalid.

Buying

If buying is right for you there are also a few things to consider. For the most part, you will need to follow the steps in the renting section of this lesson to think about your home needs, places to find homes for sale, and tips on living with roommates.

Mortgages

When it comes to paperwork, however, instead of a rental lease, you will have to get and sign a **mortgage**. The main function of a mortgage is to provide security to the **mortgage lender** (money lender) as a guarantee that you will pay back the money you borrow from them. Mortgage lenders are often times banks, credit unions, and other financial institutions. The three most common types of mortgages are included in the table (next page).



MORTGAGE TYPE OFFERS

Fixed rate mortgages

- lowest monthly payments of mortgages
 - never-changing monthly payment schedule
 - offered in 25, 30, and even 40-year terms
- NOTE:** The longer the term of the loan, the more total interest you will pay

Adjustable rate mortgages (ARMs)

- extremely risky, because payments and interest rates can increase either steadily or suddenly
 - homebuyers considering this type of mortgage need to have plenty of extra in come in case the interest rate and/or monthly payments double or triple all of a sudden
- NOTE:** Many predatory lending practices involve adjustable rate mortgages, which often times end up costing the homebuyer more than they can afford and leads them into foreclosure (sale of home to pay for mortgage debt).

No-Interest mortgages

- offered through government or self-help housing programs like Habitat for Humanity
- to qualify for a no-interest mortgage homebuyers must not make over a certain amount of money each year
- if homebuyer does qualify, this is the best mortgage option since they only have to pay for the principal (total amount borrowed) and **no interest**

Getting a mortgage is a long process and like a car or school loan depends on your credit score and involves working with a loan officer or **mortgage broker**. The difference between a loan officer and mortgage broker is that a loan officer works for the lender, while the mortgage broker works with the homebuyer and the lender to get the homebuyer a mortgage that is right for them.

NOTE: It is extremely important to research and ask many questions of mortgage brokers before using one so that you are sure they are looking out for your best interests and not their own. If you use a mortgage broker, be sure to look for one that is non-profit, because their mission is not to gain profit, but to improve community.

Hawaiian Homelands

Even though the move from collectively held lands to private landownership has occurred among nearly all indigenous people of the world, Hawai'i is in very unique situation. After the overthrow of Hawai'i in 1893 by United States-backed sugar plantation owners, Prince Jonah Kūhiō Kalaniana'ole tried to bring the land back into the collective hands of the native Hawaiian people through the **Hawaiian Homes Commission Act**. The act created **Hawaiian Homelands**, or lands designated for the Hawaiian people to return to a subsistence economy and preserve the traditional values and culture that had faded as the Western way of life became dominant. Despite the prince's wishes, the act was changed in the United States congress to include a blood-quantum requirement that states that people can only get Hawaiian Homelands if they have at least 50% native Hawaiian blood.

Today, there is still a lot of debate over who owns the lands of Hawai'i. While the lands were once held and worked collectively by the people, they are now lands owned by individuals and families, businesses and real estate developers, the state government (owns 32%), and Hawaiian Homelands. As more homes and businesses are built in Hawai'i, the value of the remaining land will



continue to rise, making the opportunity for homeownership in the future much less. This means the true value of the land and the overall cost of buying a home in Hawai'i is in constant change and will continue to be this way until there is agreement over how much the land is really worth.

For Hawaiian Homelands Recipients

As a Hawaiian Homelands recipient your decision to buy or rent a home could be impacted differently than someone who does not qualify, because buying or building a home on Homelands means not only the chance at homeownership, but also the opportunity to pass on your Hawaiian culture and values to future generations.

You are eligible to receive Hawaiian Homelands if you:

- Are at least 18 years old
- Have 50% Hawaiian blood

*To determine your eligibility, and the paperwork needed to prove you are 50% Hawaiian, read the Department of Hawaiian Homelands "Loa'a Ka 'Āina Ho'opulapula" handbook available at your local Department of Hawaiian Homelands office (listed below).

DEPARTMENT OF HAWAIIAN HOMELANDS OFFICES

East Hawai'i District Office

Phone: 808-974-4250
Fax: 808-974-4255
160 Baker Avenue
Hilo, HI 96720

West Hawai'i District Office

Phone: 808-887-6053
Fax: 808-887-6056
PO Box 125
Kamuela, HI 96743

Maui District Office

Phone: 808-760-5120
Fax: 808-760-5122
655 Kaunuali'i Street, Suite 1
Wailuku, HI 96793

Molokai District Office

Phone: 808-560-6104
Fax: 808-560-6665
PO Box 2009
Kaunakakai, HI 96748

O'ahu District Office

Phone: 808-620-9250
Fax: 808-620-620-9269
PO Box 1879
Honolulu, HI 96805

Kaua'i District Office

Phone: 808-274-3131
Fax: 808-274-3133
3060 Eiwa Street, Room 203
Līhu'e, HI 96766

*More resources available online at hawaii.gov/dhhl.

Preparing to be a Homeowner

Before becoming a homeowner it is important to learn the knowledge and skills needed to do this just as it was important for kūpuna to pass along their wisdom to the keiki for the survival of the community during traditional times.

The section below outlines what you will need to do to prepare yourself as a homeowner.

1. Apply (for Hawaiian Homelands homeowner)

If you have 50% Hawaiian blood, you can sign up to receive Hawaiian Homelands as soon as you turn 18 years old. To apply, you need to go to your nearest Department of Hawaiian Homelands office and pick up an application packet.

2. Get Educated

Before becoming a homeowner you should take advantage of community services, such as first-time homebuyer courses and/or homeowner maintenance workshops. These services are often free and can mean the difference between you keeping your home or losing it.



3. **Start Saving**

As explained in *Lesson 2*, it is never too late to start saving money. If buying a home is your long-term goal, you can start saving a little money each month and could end up with more than you might expect when you get selected for Homelands. Imagine if you started saving \$15/month at age 15 and get chosen for Hawaiian Homelands when you turn 19. You could have \$900 ($\$15 \times 12 \text{ months} \times 5 \text{ years}$) for down payment! Now double that to \$30 in savings each month. How much would you have after 5 years?

4. **Build Credit**

Lesson 4 explains easy ways to start building credit. A few things you can do right now to start building credit include:

- Opening and maintaining a bank account
- Paying your bills on-time each month
- Using a secured credit card wisely

PASSING YOUR RESOURCES TO THE NEXT GENERATION

It may seem too early to think about passing on your resources to your children and community, but since death is a part of the circle of life, the following section will talk about different ways you can pass on your financial resources to the next generation. In traditional times, resources were passed on through the sharing of values and knowledge of wisely managing what the land provided. The same is true for you today as you look ahead to sharing your financial resources with those who come after you.

Living Trust

A **living trust** is a written legal document that identifies your **beneficiary**, or who will manage your resources if you become unable to. Like anything else, a living trust is appropriate for some people and not for others. For example, if you have a house that you want to keep in the family it would be important for you to have a living trust that states you want to pass on the house to your children. If you do not have children, but still have the house, you can even state in the living trust that you want it to be passed on to a **charitable organization** for use as a homeless shelter, pre-school, etc. Without a living trust it is the decision of the courts as to how your resources will be distributed after you pass away.

Living Will

Another important legal document that you should know about as you plan for the future is a **living will**. Unlike a living trust, a living will does NOT involve the passing on of your resources to your family or community. Instead, it informs your health care providers and your family about your desires for medical treatment if you become unable to speak for yourself. Basically, you describe treatments you do or do not want applied to you if you suffer from a terminal illness or are in a permanent vegetative state.



Neither the living trust, nor the living will do any good if no one knows about them. You will need to talk with your doctor and the person you choose as your **health care proxy** (person in-charge of carrying out your wishes identified in your living will). As you setup a living trust with a lawyer, you will most likely be given the opportunity to draft a living will as well. If not, ask them to see what can be worked out.

**For free legal advice and more information on living trusts and wills see the Resources section.*

SUMMARY

In traditional Hawai'i, people organized together primarily to meet their most basic need – food. As one people, they would keep their sacred bond with the 'āina by managing her resources wisely and practicing **m**_____ 'ā_____ (care for the land) so she would provide for their needs and ensure the survival and well-being of future generations.

Today, we can better provide for our needs like food and shelter by re-establishing our mutual relationship with Mother Earth. Also, to ensure the survival and well-being of future generations we can pass on our financial resources through homeownership and **l**_____ **t**_____ and **w**_____. At the most basic level, we have to think about how our actions today impact the survival of future generations as we weigh the **d**_____ and **a**_____ of our decisions – financial and otherwise.

By nurturing the land and taking part in wise financial resource management, we can walk with a foot in both traditional Hawai'i and modern Hawai'i, bringing with us the proven benefits of nurturing our sacred bond with Earth and passing on our financial resources as we work to form a future Hawai'i that sustains itself and ensures the survival and well-being of generations to come.

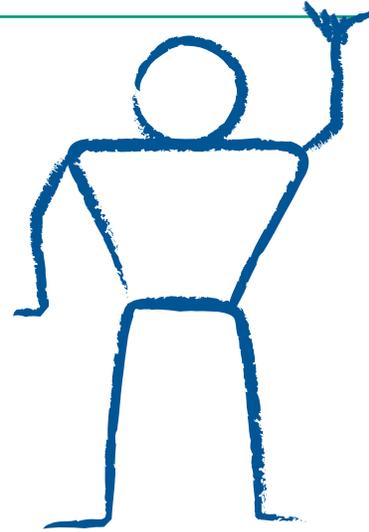
LEARNING BEYOND THE LESSON

Share the lesson above with an adult in your life.

Is buying or renting a home a better fit for them?

Are they eligible for Hawaiian Homelands?

Do they have a living trust to pass on their resources to the next generation?





Isaac Agiga is a senior at James Campbell High School and holds the nose guard and team captain positions on the football team. He enjoys basketball, baseball and volleyball too! At youth bible studies he regularly shares a good word of encouragement to the neighborhood group. He has a 3.0 in his high school course, and has started taking college courses too. In the 2007 Special Olympics he volunteered to make a difference!



Megan Amoda is a freshman at Christian Academy with a 3.9 GPA. She rocks in karate and enjoys tournaments. She stated, "I love to draw!" She aspires to become an interior designer in the future. She is the only child, but not spoiled!



Michael Agiga is a junior at James Campbell High School and plays middle linebacker on the varsity team. He is a 3.2 student enrolled in honors English. He enjoys pig hunting, agriculture, restoring native reefs with limu in Ewa Beach and anything outdoors! He is a 3.5 student who is also enrolled in the gifted and talented course. Michael desires to own his own business and become a chef in the future.



Tiana Shiroma is an 8th grader at Christian Academy with a 3.5 GPA. She plays on the middle school girls volleyball and basketball teams at CA. Her hobbies are volleyball, watching T.V., playing the piano and going on the computer. She desires to have her own business and will be very successful and rich, she declares.



Jacob Luning-Hoshino is a sophomore at Kamehameha Kapalama Campus. He held the bronze medal in the Jr. Olympics for Judo and took third in the Hawai'i State Championships Wrestling as a freshman! In 2007 his grandmother and him were the grand marshals of the Ewa Beach Parade because of his award winning essay about his kūpuna! He has 3.5 GPA, is in honors English and plays JV football for the Warriors too! Jacob desires to live in Japan and loves Christ!



Jonah Luning-Hoshino is the student body president for the 7th grade at Ilima Intermediate School. He excels in piano and 'ukulele. He is now learning the guitar too. His is enrolled in the gifted and talented classes and holds a 3.5 GPA. He plays football for the Ewa Cardinals in his free time. He is 6th son of 8 brothers and does not mind being the middle child! In the future he would like to be an Engineer.



Shellie Bengamin is a sophomore at Kapolei High School and enjoys school. He likes to go to the beach! He volunteers doing day care and likes to work with kids. He loves drawing, hanging out and being the best second oldest brother! He really enjoyed participating on the YouthVision team and working on this Kahua Waiwai workbook project.

YouthVision is a Hawai'i based, 501(c)(3) non-profit, faith-based charitable organization founded in 2005 with the purpose of developing young leaders in the community for tomorrow, *today*.

The organization's mission is to serve the youth by providing a safe and positive environment, with quality programs which teach life skills that will develop young leaders, who will in turn, serve and give back to their communities.

Online at www.youthvisionhawaii.org
Email: youthvisionohana@yahoo.com

NOTES



