

# Economic Independence for Youth & Young Adults

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## INTRODUCTION

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As youth transition into adulthood, it can seem confusing, complicated, and overwhelming to figure out how to manage money. The truth is managing money can be complex, but it doesn't have to be impossible. Taking time to understand things like bank accounts or credit reports is one easy step to transition into adulthood with confidence about managing your money.

Achieving economic stability takes time and is a constant effort throughout adulthood. Unfortunately, this can be challenging for youth and young adults who grew up in poverty or who are impacted by the child welfare, juvenile justice, or other youth serving systems. Institutional oppression such as racism, heterosexism, cissexism, ableism, etc., can also add to systemic economic barriers within a capitalist society. To improve chances of reaching economic stability, youth and young adults should spend time learning the basics of managing money.

We hope that this issue brief can empower youth and young adults, particularly those who are, or who have formally been, systems involved, to prepare for financial independence by providing them with the right tools and resources at their disposal.

## ID DOCUMENTS & RECORDS

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Identification (ID) is a type of document or card used to verify who you are. ID documents/cards are often requested by a variety of institutions such as schools, banks, credit card companies, airports, government offices, employers, etc. Most forms of ID must be requested from a governmental agency and require a fee to receive them. Youth who are involved in the foster care system can ask their case worker/social worker to assist them in obtaining many official identification documents. For example, your State ID/Driver's License, Birth Certificate, Social Security Card, School Records and Vaccination Records should easily be attained with the help of your case worker.

*Some of the most common ID documents and records you may need to open a bank account, credit card account, attain housing or secure a job are:*

1. **Birth Certificate** (request typically from your state department of health and human services)
2. **Social Security Card** (issued by the social security administration)
3. **State ID/Driver's License** (issued by state department of motor vehicles (DMV) or secretary of state (SoS))
4. **Passport** (issued by the us department of state)
5. **U.S. Permanent Resident** (issued by the us citizenship and immigration services)
6. **Health Insurance Card** (issued by your health insurance provider)
7. **Student ID** (provided by your school)
8. **School Records** (request directly from your school)
9. **Vaccination Records** (request from primary doctor, case worker, or your state department of health and human services)
10. **Adoption Records** (request from state court, foster care or adoption agency)

## MANAGING CREDIT



### Credit Report 101

*What is credit?*

Credit means getting something now, and paying for it later, like using a credit card to pay for a computer. It's an obligation to repay later and often with interest (the price you pay to borrow money).

- Your credit score and credit report are two ways your access to credit is defined.
- Credit scores range from 300 to 850.
- Higher credit scores lead to more opportunities to obtain more and higher credit, at less interest, such as a credit card, car loan, and housing.
- How do I check my credit report and credit score?
  - To view your full credit report for free from one of the three major credit reporting agencies (Transunion, Experian, Equifax) go to: <https://www.annualcreditreport.com/>
  - To check your credit score for free go to: <https://www.creditkarma.com/>

### Building Your Credit

- How do you build/increase your credit score?
  - Pay bills on time.
  - Make small purchases on your credit card and pay them off immediately.
  - Don't use too much of the credit that is available to you. For example, if your limit on a credit card is \$1,000 you should keep your balance under \$300.
  - Review your credit report every year & resolve errors on your report.
  - Don't apply for too many lines of credit at once.

## How To Build Credit as a Minor

- **Can you build your credit before you turn 18? If you can, should you?**
  - **Quick Answer:** You must be 18 to open your own credit card, but that does not mean that you have to wait until 18 to start building your credit.
    - If you can, should you? Yes, because you can then approach adulthood a step ahead of most people.

**Tip:** Start by being aware of what is on your current credit report. If you are age 14 or older and still in foster care, your foster care agency must obtain a copy of your credit report and, if you have one, assist you with interpreting and resolving any inaccuracies.

## What is an Annual Percentage Rate (APR)?

APR is the cost you pay each year to borrow money, including fees, expressed as a percentage. For credit cards, the interest rates are listed as a yearly rate. On most credit cards, you can avoid paying interest on purchases when you pay your balance in full each month by the due date.

## Why Does APR Matter?

- If you pay your balance in full each month by the due date, you won't be charged interest.
- The lower the APR, the cheaper it is to borrow.
- If you carry a balance, then you will want a lower APR to avoid paying a lot in interest.

## COMPARING TWO CREDIT CARDS WITH A BALANCE OF \$10,000

	Credit Card A	Credit Card B
<b>APR</b>	14%	25%
<b>Monthly Payment</b>	\$450	\$450
<b>Time It Takes to Pay off the Balance</b>	43 Months	58 Months
<b>Total Interest Paid*</b>	\$4,106	\$10,876

*\* By looking at the total interest paid you can see that the higher credit card APR can add up!*

## Credit Card Tips

- Only take out as much credit as you can reasonably pay back, debt can add up fast, so be careful with spending.
- Keep credit cards active and use them to maintain your credit. Don't just think of credit cards as a way to borrow money.
- Closing a credit card or having a credit card closed may have a negative impact on your credit score.
- Be mindful of interest rates/ Annual Percentage Rates (APR)
- Avoid taking out more than 2-3 credit cards at a time, as it can be hard to keep up with payments and remembering when payments are due.
- Set up automatic bill payment for bills you pay regularly using online banking services. This will keep your payment from being late. Make sure you have enough money in your account when the bills are due, and the money is automatically deducted from your checking account.

## How Do I Compare Credit Cards?

There are a variety of things to look for when considering which credit card is right for you. Every person's needs are different, so it is important to take your time when choosing a credit card that works best for you. Some of the key factors to consider when selecting a credit card are:

- APR
- Annual Fee
- Late fees
- Perks (i.e. Cashback for certain kinds of purchases, travel mileage, etc.)

## Helpful Websites to Use to Compare Credit Cards

- Nerd Wallet: <https://www.nerdwallet.com/m/credit-cards/excellent-credit-cards>
- Credit Karma: <https://www.creditkarma.com/credit-cards/search-cc>

## SAVING MONEY



### What is Saving?

Setting aside a portion of income now, for use in the future.

**Tip:** The most successful saving techniques are the ones that are automatic, meaning you set up options that allow you to “save without thinking.”

### Here are a few ways to save:

- **Save unexpected money you receive.** If you get a tax refund or overtime pay you can save that money.
- **Be a thoughtful shopper.** Buy generic instead of brand name items. Make a shopping list before you enter the store and buy only what is on the list. Wait 48 hours before making any large purchases. Think about the following: Will the item help you reach your goals or your vision?
- **Keep the change.** Grab a jar! Put all your change into this jar at the end of each day. Count it after one month. You may be surprised to see how quickly your change can add up.
- **Cut back your spending on one thing each month** — meals out, concerts — and redirect those funds to your savings account.
- **Use direct deposit.** Have your paycheck deposited into a checking account and have a portion of the money transferred to a savings account.



## BANK ACCOUNTS

### Checking Accounts

- Debit Card
- A Checking account is a type of deposit account that you can open at a physical bank location, online bank or credit union

### **Consider accounts that have:**

- No or low overdraft fee (*a fee that is charged for taking your account into the negative*)
- Overdraft protection (*will allow your account to go into the negative for a fee - be careful, these can add up and can be hard to get from underneath*)
- No monthly maintenance fees

Tip - proper use of a bank account can lead to the bank approving you for your first credit card when you turn 18.

### Savings Accounts

- ATM Card
- A Savings account is a basic type of financial product that allows you to deposit your money and typically earn a modest amount of interest
  - *Look for banks with free savings accounts.*

### **Consider accounts that have:**

- No fees
- No or low minimum balance requirements
- An attractive interest rate

## Retirement Plans

1. **Pension** is a retirement plan that your employer or employee organization such as a union maintains which employees and employers can contribute to.
2. **401(k)** allows employees to set aside part of their paycheck for retirement, often gaining interest over time. Some employers match a percentage of the employee's 401k contributions.
3. **403(b)** is a retirement plan for those working at non-profits or public education that employees and their employers can contribute to.
4. **IRA/Roth IRA** allows you to set money aside on your own for retirement with certain limitations.
5. **Savings Incentive Match Plans for Employees (SIMPLE) IRA** lets employees and employers contribute to an IRA set up for the employee's benefit.
6. **Simplified Employee Pension (SEP) IRA** lets employers contribute to an IRA set up for the employee's benefit.

## College Savings/FAFSA

- **What is FAFSA?**
  - FAFSA stands for Free Application for Federal Student Aid and is an application that must be completed in order for students attending a college, university or training school to receive financial assistance.
- **What does ward of the court mean on a FAFSA application?**
  - A ward of the court is someone whom the court assumes responsibility over because they are unable to take care of themselves. Youth who are in foster care are considered wards of the court. For FAFSA, a ward of the court is independent for purposes of determining the amount of financial assistance they can receive. Being considered independent for FAFSA means that your parent or guardian's income is not looked at when determining your financial aid.

## Types of Student Aid

- **Pell Grant** are funds given through your financial aid that you don't have to pay back and are typically for students who have the most need.
- **Scholarships** are funds given by your school or outside entity based on you fitting particular criteria many of which require a separate application.
- **Subsidized/Unsubsidized Federal Student Loans** are funds given through your financial aid that you have to pay back with interest on a later date typically a time frame after graduation.
- **Work Study** is noted on your financial aid report but you must work for your school in order to obtain these funds.

## Types of Student Aid Continued

- **Educational Training Vouchers (ETV)**
  - Financial assistance specifically for youth who are in foster care in the United States.
  - ETV aid provides up to \$5,000 per school year to cover tuition and education-related expenses for college, university or trading school.
  - You must fill out an ETV application every school year in order to receive assistance. To contact your state coordinator to apply for ETV go to: <https://www.fc2sprograms.org/about-etv/> and/or [https://www.childwelfare.gov/organizations/?CWIGFunctionsaction=rols:main.dspList&rolType=Custom&RS\\_ID=145](https://www.childwelfare.gov/organizations/?CWIGFunctionsaction=rols:main.dspList&rolType=Custom&RS_ID=145)
- **State programs** some states offer free tuition for foster youth/low-income youth, which availability varies by state.



## CAREERS

### Ways To Figure Out Your Future Career Path

- **Career Assessments** can be a helpful way for you to figure out what kinds of jobs you might be interested in.
  - To try out a free career assessment, see here: <https://www.careeronestop.org/Toolkit/Careers/Interest-Assessment-Questions.aspx>
- **Internships/Volunteering** is a helpful way to gain valuable work experience when you are first starting out in the job market. Some institutions offer paid internship opportunities often through a stipend or cover the cost of expenses such as transportation for interns. In addition, some volunteer opportunities may come with perks such as free meals while volunteering.
- **Career advice websites**
  - Indeed Career Guide: <https://www.indeed.com/career-advice>
  - Career Alley: <https://careeralley.com/>
  - Credit Karma: <https://www.creditkarma.com/income/i/how-to-start-new-career>

### Helpful Job Search Websites

- **LinkedIn** - <https://www.linkedin.com/>
- **Indeed** - <https://www.indeed.com/>
- **Glassdoor** - <https://www.glassdoor.com/>



## Job Search Tips

- Apply directly on the company website whenever possible.
- Don't just look at salary/pay, compare other benefits as well such as health insurance coverage, retirement plans offered, commuter benefits, etc.
- Look up templates to help you get started on your Resume
  - Canva: <https://www.canva.com/resumes/templates/>
  - Novo Resume: <https://novoresume.com/resume-templates>

## Other Opportunities To Earn Money

- **Youth Advisory Boards/Youth Consulting** are an opportunity to be paid to provide particular insight on youth issues or initiatives, especially for youth or young adults who are currently or formerly involved in the child welfare, juvenile justice, or other youth serving systems.
- **Speaking Honorariums** is a stipend given to individuals who speak to a variety of audiences about their experiences.
- **Foster Care Allowance** is a monthly allowance to be provided by your foster parent, if this is not being provided speak to your case worker/social worker.
- **Monthly Stipend** - In the state of Illinois, there is a monthly stipend, which youth in foster care receive from their IL Coordinator or case worker/social worker. Each state may offer different programs or opportunities for youth in foster care, reach out to case worker/social worker to learn more about programs your state may offer.



## KEY TAKEAWAYS

- Frequently check your credit report at least once a year.
- Don't just accept any offer! Compare options and benefits before signing up for credit cards, loans, bank accounts or job opportunities.
- Positive credit scores = Better options!
- When using credit, pay it back as quickly as possible to avoid late or missed payments.



**If you would like to request technical assistance and consultation from Youth MOVE National, you can submit your request HERE!**

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