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## Small Ways to Save Every Day

### Simple tips to save money every day

Small changes you implement into your daily life can make a big impression on your financial health. If you're looking for ways to save money every day without committing to a major financial overhaul, consider the following tips.

#### Take a closer look

Before you start saving, it's a good idea to get a clear picture of what you're spending each month. Examine your bills and track everything you're buying for 30 days, recommends The Balance writer Paula Pant. The month-long review will help you understand your money habits and allow you to set a better budget.

#### Feed your piggy bank

Even if you mostly rely on credit or debit cards to make purchases, cash still probably plays a part in your finances. Whenever you break a bill with a purchase, feed your piggy bank the change. NerdWallet writer Courtney Jespersen recommends depositing extra cash into your savings account where it can help build your nest egg. Using cash will also bolster your savings mindset.

"When you want to watch your spending, use dollar bills instead of credit cards. It's harder to part with cold, hard cash," she writes.

#### Look for deals and clip coupons

It is easier now than ever to save on almost everything you buy at major chain stores. Whether you're stocking up on groceries, toiletries or items for the home, most stores offer loyalty programs, a weekly ad boasting what's on sale and online apps that allow you to "clip" coupons with a simple download. Of course, printable ones still exist if you prefer tangible coupons to digital ones. The best part is, you can typically use both for optimum savings.

#### Keep trips to a minimum

It's inevitable that you'll run out of something before your usual shopping trip, but too many trips to the store can lead to overspending on things you might not need. That's why it's important to plan ahead before you shop.

"Buy your groceries in bulk at wholesale stores including Costco or Sam's Club. Prepare a meal plan once a week so that you buy only what you need," advises Pant.

If a wholesale store isn't near you, shop your local grocer's weekly circular and plan your meals and snacks according to what's on sale.

#### Caffeinate at home

If coffee or specialty tea from a local coffeehouse is a mainstay of your day, consider patronizing a new location — your home. It might take a bit of trial and error, but you'll be able to create a barista-worthy beverage that's delicious and delivers the caffeine you need to help power your day. Plus, with every cup you craft in your kitchen, you'll be saving money.

"Brewing coffee at home instead of buying a three-dollar cup of coffee at a local coffee joint every day can save you over \$1,000 a year," reports Pant.

#### Re-evaluate your car loan

There is a chance that you can lower your monthly car payment by refinancing your loan, suggests Jespersen. A lower interest rate will mean you'll pay less over the term of your loan. It doesn't hurt to contact your lending institution and see if you qualify for an adjustment.

With small changes, you can save big. Use these suggestions to increase the savings in your bank account.



## Dividend Basics

### A simple guide to a cornerstone of investment

When you dive into the world of investing, there are countless terms that you need to understand. One of the most common is the dividend. If you're considering investing some money in a company, it's important to know what a dividend is, how it works and what it means for you.

#### What is a dividend?

Unlike many financial terms, dividends are fairly basic and don't take much work to understand. According to Investopedia's James Chen, dividends are the amount of a company's profits that you earn as a shareholder. When you invest in a publicly-traded company by purchasing a number of shares, you technically own a part of the business. That means when the company makes money, you get a portion of those earnings, or a dividend.

#### How do dividends work?

As we stated, a dividend is a sum of money given to you by a company you've invested in based on the number of shares you own. Chen says that this payout traditionally comes in one of two forms: as cash or as additional stock in the company. Thankfully, calculating how much money or how many more shares you're owed is pretty simple. U.S. News contributor Coryanne Hicks states that a company should tell you what percentage of your stock they'll pay on when you invest. For instance, if you own 100 shares and the company pays out 10 cents per share, your dividend will be \$10. Using the same numbers, if you choose to reinvest that sum, you won't receive the \$10, but you will now have 110 shares.

It's also important to know that your dividend will depend heavily on the type of stocks you purchase. Hicks says that many companies offer common shares, preferred shares and bonds. As a bondholder, you have more sway with the business, and you'll be paid before — and possibly more than — the other types of investors. Moving down the ladder, there are preferred shares and common stocks. There's also something called a "special dividend," which Hicks defines as a one-time bonus payment that you get in addition to your normal dividend if the company had a successful few months or is restructuring. Of course, as with all investing, there's no guarantee that you'll receive a payment at all.

#### What do dividends mean for you?

Now that you know the basics, it's time to look at the tangible benefits of investing in dividend-paying stocks. According to Coryanne Hicks, purchasing stocks can have an incredibly positive long-term outcome, whether you're just starting your professional life or preparing for retirement. If you're young, she suggests that reinvesting your dividends gives you the opportunity to build your portfolio and compound your profits. If you're ready to leave the workforce, you can schedule regular payments and essentially live off of the money you invested years ago.

The Balance's Thomas Kenny also says that dividend-paying stocks — while less predictable than fixed-interest options — can pay out far more. Compared to accounts at financial institutions or government-issued bonds, dividends can yield anywhere from 1.5 to five percent, making them an ideal option if you're looking to maximize your income.

Investing in dividend-paying stocks is a great way to diversify your portfolio and build financial security for the future. For advice on how to buy shares in a company — and how to tell which options are favorable — speak with your trusted financial advisor.



## Planning for a Home Down Payment

### How much money should you save when preparing to buy a house?

Buying a home is a milestone worth celebrating, but it takes planning and preparation before signing the closing documents to ensure the purchase doesn't become more of a burden than a blessing. Proper planning involves determining how big of a down payment you need and saving money for that down payment. Here are some pointers to get you started.

#### Determining your down payment amount

Traditionally, the standard down payment lenders require for financing a house is 20 percent. Liz Knueven of Business Insider explains that this is to help you as the homeowner avoid having to pay private mortgage insurance. "[This] extra monthly payment that can cost 0.3% to 1.2% of the loan's principal balance. Banks charge PMI to borrowers who put down less than 20% to get some protection should the borrower stop making mortgage payments."

If you're buying a \$160,000 house, a 20 percent down payment would translate to \$32,000 — which is a lot more than most first-time homebuyers can afford.

However, 20 percent is not necessarily required to buy a house if you're willing to pay a little extra on your monthly bill due to PMI. Plus, you might qualify for a lower down payment depending on the type of loan you're receiving and your credit history.

Hal M. Bundrick, CFP and contributor to NerdWallet, points out that you may be able to take advantage of low-down-payment loans or assistance programs. Loans that are backed by third parties give financial institutions the security to allow first-time homebuyers to supply a lower down payment. For instance, the Department of Veterans Affairs offer VA loans, the Department of Agriculture offers USDA loans and the Federal Housing Administration offers FHA loans — all which allow down payments far below 20 percent. These still may entail extra fees, but oftentimes these can be rolled into your monthly payments, so you don't have to fork over as much money up front.



#### The many costs of buying a house

Keep in mind that a down payment isn't the only cost you'll be paying to obtain a house. Purchasing a house entails an array of other fees that you might not have anticipated. A down payment is just one of the many costs you'll need to budget for when saving for a house.

Jeremy Vohwinkle of The Balance identifies some of the most common fees:

- Fees paid to the lender for the loan arrangement, such as the origination fee, application fee, and underwriting fee
- Fees for title requirements, like title search and title insurance
- Home inspection, survey and appraisal fees
- Home insurance and property tax dues, which could go into your escrow account
- Various processing, commission, and service fees

Some of these fees will be due on your closing date, while others will be due throughout the application process or right after closing. When you're saving money, make sure you have enough in your financial accounts to cover these and any other unexpected costs.

#### Down payment when moving to a new house

Once you've outgrown your starter home and plan on moving to a larger abode, you will still need to put a down payment on your next house. However, instead of paying out of pocket like you did for your first home's down payment, you'll be able to cover this down payment with the money you'll make selling your first home.

Because you likely won't sell that first home until moving into your new home, though, Dave Ramsey and his financial experts recommend taking out a bridge loan. "A bridge loan allows you to tap into the equity of your current home to pay the down payment on your new home. It functions as a short-term loan that is to be repaid quickly." This quick loan will let you make a large down payment on your new house and then immediately pay it off when your old house sells.

#### Big or small down payment?

Choosing how much to put toward a down payment depends on your financial situation and what you think you can afford. A larger down payment could constrict your finances initially when you may need to spend that money on moving and home improvement costs, but it lowers the amount you're mortgaging and translates to less paid in interest and insurance over the life of the loan. A smaller down payment leaves more funds in your account now but will cost you more over the course of the loan due to the higher principle.

Whichever amount you choose to contribute to a down payment on a house, make sure you start saving now to be in the best financial state when it comes times to seal the deal.

## What is the 2K Rule?

### How the 2K Rule can help pay for your child's college education

For many parents, saving for a child's college education is a major source of stress. It's often difficult, if not impossible, to know how much you actually need to save, as the cost of attending college varies wildly depending on the college and whether your child qualifies for financial aid. Without knowing what college your child will attend, how can you know how much money to put aside?

Furthermore, even if you do know what college your child will attend, the cost of attending is likely to change by the time your child is old enough to go. Besides, when should you start saving? The 2K Rule is an attempt at answering all of these questions.

#### What is the 2K Rule?

Invented by Fidelity Investments, the 2K Rule is a rule of thumb designed to help parents estimate how much money they should save to help pay for their child's college education. It says that you should be saving \$2,000 a year towards a college education every year. If you're just starting out, simply multiply your child's age by \$2,000 to see how much money you need to catch up and afford half of the cost of an average college education. After that, you should continue setting aside \$2,000 per year until your child goes to college.

For example, if you have a 10-year-old child, you should strive to have \$20,000, or \$2,000 times 10 years, already set aside, with \$16,000 still left to save over the course of the next eight years. Essentially, under this system, you would aim to build a \$36,000 college fund for your child.

According to Keith Bernhardt, vice president of retirement and college products of Fidelity, this would allow you to be "reasonably confident" of affording approximately half the cost of a four-year education at an in-state public university. Fidelity came up with the 2K Rule after a company survey discovered that over two-thirds of parents wished there were more specific guidelines on how much to set aside for their child's college education. "Different people have different financial goals, but the 2K rule provides a starting point," Bernhardt says.

#### You must use a 529 plan

The main caveat of the 2K Rule is that it assumes you are using a 529 plan. This is a state-sponsored, tax-advantaged plan that can help increase your college savings. States offer a variety of different 529 plans that come with a number of benefits, the first of which is that investment earnings in a 529 plan are not subject to federal capital gains tax when used for qualified education expenses. According to the IRS, these expenses include college tuition, fees, books and other necessary supplies.

Additionally, thirty-three states and the District of Columbia will not tax investment earnings in a 529 plan, and five states will even offer an income tax deduction to residents for their contributions in the plan (these are Arizona, Kansas, Missouri, Montana and Pennsylvania).

However, finding the right 529 plan for you and your child can be tricky. There are two main types of 529 college savings plans: direct-sold plans and advisor-sold plans, though other types of plans also exist whose potential benefits you may wish to explore. According to a 2016 survey, almost three-quarters of investors did not know what a 529 plan is.

If you are part of that majority, and you are looking to maximize your tax breaks and set up your child for college success, make sure to talk with an investment advisor at your local financial institution. They'll help you determine the best 529 plan and how much money to set aside for your child's education.



## One-Time Close Construction Loans vs. Multiple Loans

### Determining the best way to pay for your home renovations

In many cases, home improvement is better than moving to another house. Building a larger garage, expanding a wing of your home or erecting an additional bathroom could be a much easier and more cost-effective way of adjusting your current home to fit your needs. A construction loan is the best way to pay for these renovations, and you have multiple types of loans to choose from.

#### Why would I need a construction loan?

If you plan on making home renovations, whether performing the work yourself or through a contractor, chances are you don't have a ton of money saved away to pay for all the expenses. And even if you do, it's not wise to empty your savings. A construction loan provides money for you to pay for home improvements without having to empty your accounts halfway through the project.

Beth Buczynski and Hal M. Bundrick offer this definition: "Construction loans are shorter term, higher interest rate mortgages that cover the cost of building or rehabilitating a house." They explain that these types of loans are paid to the contractor in installments to pay for renovations as each phase occurs. At the conclusion of the renovation, you either pay off the lender's loan immediately or as a mortgage that you repay in monthly installments.

Construction loans allow you to pay for expenses that arise pertaining to the land itself, as well as permits, planning, labor costs, materials, closing costs and other unexpected or emergency expenses that arise during the project.

#### What a single-close loan offers

A construction-to-permanent, also referred to as a single-close loan or an all-in-one loan, consists of a single loan application that lets you pay for your home renovations now by agreeing beforehand to make the repayment of said loan a long-term mortgage at a pre-established interest rate. Justin Pritchard of The Balance explains that in this process, "When construction is completed, your loan becomes a traditional mortgage."

Pritchard points out that this arrangement involves a lot less hassle by streamlining and simplifying the application, borrowing and repayment steps. You only apply for one loan, pay for closing costs once, have your interest rate locked early on and know what to expect when the project is over. Having these financial arrangements in place gives you certainty and security in case something unexpected happens during the construction.

Buczynski and Bundrick recommend getting this type of loan if you have a straightforward renovation project and want a predictable financial outcome once the work is complete.

#### What a two-close loan offers

Your other option is to take out multiple loans to pay for renovations: one to cover the construction project costs, and one to arrange the gradual repayment of the first loan.

While a single-close loan locks in your terms at the beginning of the project, utilizing a sequence of loans allows you to reevaluate your financial situation and options after the work is complete. Pritchard explains, "Keeping your permanent loan separate from your construction loan means you can search and apply for any loan you want — not just the limited offerings available to you from one lender." This could even result in you finding a better rate.

Buczynski and Bundrick recommend splitting your loans in this manner if you want to shop around for options, and you have the personal financial stability now to cover mid-project surprises and multiple closing costs.

Remodeling or expanding your home can be a great improvement to your life and the value of your house, but make sure that you select a loan that fits your needs and doesn't end up costing you more in the long run.



## Learn More About Direct Deposit

### Are you taking full advantage of the benefits of direct deposit?

It's easy to take conveniences like direct deposit for granted without fully understanding how it works or why you should use it. You may have questions concerning direct deposit, so we want to make sure you fully understand the system.

#### How does direct deposit work?

Direct deposit forgoes the physical printing of payment checks by transferring money online through software like payroll programs. An electronic file is transmitted to or from your financial institution, which lets the recipient know which account should receive payment/deduction and how much.

Justin Pritchard of The Balance explains that financial institutions connect to each other and move payments via the Automated Clearing House network. "When you receive funds via a direct deposit, your account balance will automatically increase when the payment arrives." So instead of waiting 2-5 business days for a paper check deposit to clear, you often have access to these funds on the same day they're wired into your account.

All you need to set up a direct deposit is your financial institution's routing number, your account number, the type of account being deposited into or debited and the amount to transfer. All of that can be found on a blank personal check of yours.



#### Is direct deposit safe?

In the past, paper checks and ATM deposits seemed like the most secure way to receive and make payments. Your visibility of and involvement in the transfer of money from one financial institution to another by carrying and submitting the paper check made you feel in control. But, that assurance is false; it's actually less secure to carry and deposit a paper check.

"This [direct deposit] method of payment is generally safer than being paid via check," points out Emily Guy Birken, a financial advisor and contributor to Forbes. "That's because paper checks can be lost or stolen, and it's possible for someone to fraudulently cash a check not made out to them ... Since the money transfers automatically from the payer's account to your account, it cannot be lost or stolen."

Direct deposit is so reliable that the U.S. government has used it for Social Security payments for decades, and per its records "since 1976 when Direct Deposit first became available to Social Security beneficiaries, not one payment has ever been lost."

#### Why should I use direct deposit?

The most obvious benefit of using direct deposit is avoiding the possibility of losing a paper check. This also is eco-friendly, saving the financier wasted time and resources involved with using paper.

When it comes to receiving your wages from your employer, direct deposit allows you to divide your earnings so they're sent to more than one account. "If you want to split your paycheck between multiple accounts," explains Derek Silva, writer for Policy Genius, "add each account to the direct deposit form and specify how much of your pay should go into each."

Emily Guy Birken points out that establishing an automatic deposit into your account helps you fulfill your financial institution's requirement of minimum transactions and daily balance. "Instead of having to keep track of your balance or debit card transactions to avoid maintenance fees, you can simply let your direct deposit do the heavy lifting for you."

#### Is direct deposit for more than payroll?

Many people rely on a direct deposit to receive their recurring employment paychecks, but there are many others ways that you can use this payment system. Derek Silva lists a handful of these, including Social Security benefits, disability compensation for veterans, tax refunds and disbursement of insurance benefits. You can also send payments through your financial institution's account using a direct deposit system; just ask for information on how to do this.

Direct deposit makes receiving and sending money much easier, quicker and more secure. Make sure you're taking advantage of direct deposit in your daily finances; it offers a lot of benefits and is simple to set up.

## Savings Tips for a Great Getaway

### Don't break the bank on your travels

If you have dreams of going on a great getaway but are worried about the costs required to make these dreams come true, it's a good idea to begin budgeting for your trip as soon as possible. Follow these tips to save money before and during your next vacation.

#### Develop a plan

Prior to booking your trip, be sure to get a decent idea of how much money it will cost. Specifically, research the average costs of flights to and from your destination, hotels or other lodging options, and restaurants and activities that you're interested in trying. Once you have a ballpark figure in mind, increase that number by 10 percent to account for souvenirs, snacks and other expenses that may be higher than you expect. Compare this final figure to your current funds, and make a goal for yourself to reach a particular savings amount before embarking on your trip. Then, open a savings account designated solely for holding your vacation money, and begin transferring funds into there on a monthly basis.

#### Modify your routine

In order to put aside cash for your next getaway, you may need to make some changes to your daily routine. One change that can be both good for your health and your wallet is to eat more homemade food. Preparing your meals at home tends to be less expensive than eating out, whether you typically purchase food from high-end restaurants or fast food joints. Even making the simple switch from buying a daily cup of coffee to brewing your own cup can save you money over time. When shopping for groceries, compare the cost of each item and choose the least expensive options you can find. Often times, cheaper store-brand foods taste just as good as high-priced name brand items. In addition, if you are subscribed to a whole batch of streaming services or have a gym membership that you rarely take advantage of, cancel the services that you don't truly need or use enough to be worth the price.

#### Spend wisely

