



12-Step Guide to Financial Success

Step 1: Be accountable and responsible

The first step on the path to financial success is accepting responsibility. You are in control of your financial future, and every choice you make can have an impact.

No matter your age or education, you need to be in control of your financial matters. Ask yourself these questions:

- Are you completing your own financial aid paperwork?
- Are you in charge or have equal input in paying your bills and managing your finances?
- Are you doing thorough research before making a big purchasing decision (a car or computer)?

You can only be fully aware of your responsibilities and obligations if you are involved from the start. It is okay to ask for help, but you should be the one doing the work.



If you borrow money or enter into another type of financial commitment, you need to understand your rights and responsibilities and follow through with your obligations to that debt. This includes:

- making your payments on time and in full and
- repaying the debt in full (including interest).

Partial payments, late payments, and missed payments can have a negative effect on your credit score. Credit bureaus compile your credit report and calculate your credit score by collecting information including, but not limited to, your payment history, borrowing history, and outstanding debt. Before you borrow money, including student loans, you should estimate your monthly payment and how that payment will fit in your monthly budget.

Your credit report and credit score is your financial responsibility report card. Like any class, receiving an "A" on your credit report requires a lot of effort on your part. It is important you understand what factors impact your credit report and your credit score.

Your credit score is usually based on the following:

- If you pay your bills on time
- The total amount of debt you have and how close to your credit limit that amount is
- The number of accounts recently opened
- Number of recent inquires about your credit score
- The different types of accounts currently open
- Length of time you have been building credit

Your creditors will grade you based on your performance and participation.

Step 2: Plot your course

Step two on the path to financial success involves planning. It is impossible to effectively manage your finances if you don't know how much money you have available to spend or have a plan on how you want to spend, invest, and save. You need to create a road map by defining your financial goals.



Three essential keys to setting goals:

- **Be specific** – define what you want to achieve and when. Goals can be short term (a few days, months, or a year) and long term (five, 10, or 15 years).
- **Be realistic** – make certain your goals are attainable. Setting unattainable goals will only lead to disappointment when they are not achieved.
- **Write them down** – keep records of your goals and mark off key milestones as you achieve them. Refer to this information from time to time. Writing down goals, reviewing them, and recording your progress can motivate you.

After you have identified your goals, map out how you are going to achieve them. There are many questions that may need to be answered. Here are a few to get you started:

- How much income do I have available? How much will I need to achieve this goal?
- Are there any other obligations or goals I need to finish first?
- If I cannot buy the item with cash, how much money is needed for a down payment?

When putting together your plan, make certain you are as thorough as possible. The better prepared you are, the easier you can adapt as life changes.

Step 3: Understand your income

You've just been offered a starting position with a local firm. They've offered you 40 hours per week starting at \$15 per hour, which means you'll be taking home \$600 (40 X 15) dollars a week. *True or False?*

False

There are numerous deductions taken from your **gross pay** (hours multiplied by your hourly wage). Your **net pay** is the amount of money you receive after deductions are taken.

Standard deductions:

- **Federal income tax** – tax you pay the federal government.
- **Social Security** – a contribution toward Social Security retirement benefits.
- **Medicare** – a contribution toward Medicare benefits.

The amount of federal taxes withheld will depend on the amount of your pay and the number of exemptions you claim on your W-4 (the form you complete when you start your job). An exemption is a deduction that allows a certain amount of income to be excluded to avoid or reduce taxation. Exemptions may be for the individual and family members who the individual supports.

Other deductions:

- **State taxes** – Many states withhold state income taxes.
- **Additional retirement contributions** – Voluntary contributions, such as 401K, 403b, in addition to Social Security
- **Health insurance** – Some employers will pay all or part of an employee's health insurance costs. Typically, the employee will have to contribute toward those costs, which may include covering family members.
- **Cafeteria plan benefits** – Many employers may allow you to have a portion your pay set aside for child care and/or health costs. These withholdings typically are pre-taxed.
- **Wage garnishments** – Money automatically deducted as a result of a legal decision, such as defaulting on your federal student loan.
- **Other** – Agreed automatic withholdings (parking and other fees associated with employment).



Review your paystubs when you receive them. Make sure you understand each deduction, and that proper amounts are deducted. Report any discrepancies to your employer immediately. If you have questions, meet with a Human Resources representative to go over the details of your company's benefits or talk with your employer if your company doesn't have a human resources department.

Step 4: Open a checking account

A checking account is a secure place to keep your money and helps you track your money. A checking account creates a paper trail which assists you in knowing how much money is available to spend.

Prior to opening a checking account, thoroughly research to find a bank, credit union, or other type of financial institution that provides an account that best suits your needs.

Three common types of accounts:

- **Standard:** Includes a set monthly fee with no check charge. There is no monthly fee if you maintain a minimum balance.
- **Special:** Service fees are charged for returned checks for insufficient funds, the creation of money orders, cashier's checks, check orders, and sometimes for the transfer of funds.
- **Interest-bearing account:** Interest is paid to your account if a minimum daily balance is maintained during the month.

Some banks offer "free" checking accounts or other enticements specifically targeted to students. To avoid hidden fees, make certain to read all of the fine print. Be sure the account really is free.

The **check register** is an important element of your checking account. Record all transactions including all deposits, withdrawals, and deductions.

Here are some examples:

- Deposits
- Checks written
- Scheduled automatic withdrawals or bank fees
- ATM or debit card transactions



In addition to writing checks, ATM (automatic teller machine) and debit cards are common tools used to withdraw money from your account. They may also allow you to deposit, transfer, and verify funds in your account. ATM cards are strictly for use at automatic teller machines, but debit cards also can be used at most merchants to make purchases.

Tips for ATM and debit card usage:

- Never share your PIN number.
- Always record your transactions.
- Record additional fees charged for using an out-of-network ATM (try to avoid them).
- Be aware that transactions may not always be automatically reflected in your account balance, for some, it may take two to three days.
- When given the option to use your card as a credit or debit, select credit where possible. This protects your purchases in the event of fraud, whereas debit may not.

Spending more money than you have in your checking account is called an **overdraft**. Avoid overdrafts at all costs (no pun intended!), as you will have to pay overdraft fees! Overdraft fees are approximately \$30 per item (and may be more depending on the bank or institution). One check or ATM/Debit withdrawal for \$5 could end up costing you \$35 or more, especially if it causes other transactions to overdraft as well. Never spend more money than you have in your account.

If your bank offers online banking, review your account at least once a week. This will not only help you keep track of how much money you have, but also will allow you to quickly identify errors or possible fraudulent transactions.

Reconciling (balancing) your checkbook every month is critical to successful checking account management. Keeping your checkbook balanced will:

- help you avoid overdrafts,
- make you aware of where you are spending your money, and
- assist in locating any mistakes that you or the bank make.

To balance your checking account book, use Mapping Your Future's free calculator at mappingyourfuture.org/money/checkbook.cfm.

Step 5: Start saving and investing

Establishing a savings account is the best way to help you financially deal with the uncertainties of life (such as job loss or medical expenses) and achieve your financial dreams (pay for college, purchase a car, travel, or save for retirement).

Remember to pay yourself first! Depositing money into a savings account should take priority over any additional spending. Here are some ideas to help:

- As you pay your monthly bills, set money aside to deposit into your savings.
- Ask your bank to automatically transfer money from your checking to your savings once or twice a month.
- Request a direct deposit from your employer for a portion of your paycheck to be deposited into your savings account.



Make sure you are not spending more than you earn and that you are able to save money every month. Ultimately, you should maintain a balance that would cover six to 12 months of your expenses. Small amounts add up and make a difference over time.

A savings account with compounding interest will help your account balance grow. The interest that you earn on your savings account is added to the total balance of your account, which will result in more money earned.

The chart below demonstrates how your money can grow over time in a savings account:

Interest Rate	Monthly Deposit	Amount in savings account after:			
		1 Year	2 Years	3 Years	4 years
0%	\$20	\$240	\$480	\$720	\$960
0%	\$40	\$480	\$960	\$1,440	\$1,920
0%	\$60	\$720	\$1,440	\$2,160	\$2,880
0%	\$100	\$1,200	\$2,400	\$3,600	\$4,800
0%	\$200	\$2,400	\$4,800	\$7,200	\$9,600
2%	\$20	\$242.21	\$489.31	\$741.40	\$998.58
2%	\$40	\$484.42	\$978.63	\$1,482.80	\$1,997.16
2%	\$60	\$726.64	\$1,467.94	\$2,224.21	\$2,995.74
2%	\$100	\$1,211.06	\$2,446.57	\$3,707.01	\$4,992.90
2%	\$200	\$2,422.12	\$4,893.13	\$7,414.02	\$9,985.79
5%	\$20	\$245.58	\$503.72	\$775.07	\$1,060.30
5%	\$40	\$491.15	\$1,007.44	\$1,550.13	\$2,120.60
5%	\$60	\$736.73	\$1,511.16	\$2,325.20	\$3,180.89
5%	\$100	\$1,227.89	\$2,518.59	\$3,875.53	\$5,301.49
5%	\$200	\$2,455.77	\$5,037.18	\$7,750.67	\$10,602.98

Invest wisely

Investing is a great way to have your money work for you, but comes with risk. Before you start investing, it is important to understand the different options and the risks involved. Don't think you are too young to invest. The best time to invest is when you are young, as you have more time for your investments to grow and weather the ups and downs of the stock market and economy.

Different investment options offer different rates of return. Generally, the higher rate of return has higher the chance of losing your investment (the lower the rate of return, the lower the chance of losing your investment dollars).

Types of investments	Description
Savings accounts	Provide a safe way to save money and draw interest on the balance.
Money market accounts	Draw a higher interest rate than a traditional savings account, but usually have a minimum balance requirement.
Certificate of Deposit (CD)	Funds are placed into a CD for a fixed period of time and fixed interest rate.
Stock	Purchasing stocks allows you to buy part ownership of a company and you make money or lose money as the value of the stock increase or decreases depending on the stock market.
Bonds	Loan money to a government or company, who issues you a bond promising to repay you at a fixed rate of interest on a specific date
Mutual funds	Invest in a professional managed fund that can include a combination of stocks and bonds with various risk factors.
Retirement accounts	Various options are available to invest for your future retirement needs. Keep in mind that many employers offer a 401k, 403b, or other type of retirement program and may provide a match to your contributions. Take advantage of a contribution match any current or future employer provides. This match is provided as part of your compensation package and will help you meet your investment goals.

Make your investing plan by:

- Setting your goals
- Learning about investing and your options
- Determining if you need a stock broker
- Making a plan
- Sticking to your plan-don't change your strategy on a daily basis.

Step 6: Create a budget

Establishing a budget and monitoring it on a regular basis is not easy, but it is the best way to ensure you are in control of your financial future. Think of your budget as a spending plan. It helps you be aware of how much money you have, where it needs to go, and how much, if any, is left over.



Follow these steps to create your budget:

1. Determine your income.

- a. Review your paystubs and your check register to identify how much money you are earning.
- b. Do not include overtime pay. It is not considered regular income.

2. Determine your expenses.

- a. Review your checkbook register, store receipts, and billing statements to see where your money is going.
 - i. *Fixed expenses* include items such as a rent, auto, or student loans that must be paid each month. These expenses typically are the same amount.
 - ii. *Flexible expenses* include items such as food, clothing, and entertainment that vary from month to month.
- b. List each of your expenses separately. Do not group things such as eating out and groceries together and list them as food. Do not add cable, cell phone, power, and water together and list them as utilities. If you have to cut expenses, you'll want to consider each expense individually.
- c. Be certain to include expenses that are billed quarterly, semi-annually, or annually, such as taxes or insurance.
- d. Always remember that saving must be first on your list of expenses.

3. Create a budget.

- a. A budget should meet your "needs" first, then the "wants" that you can afford.
- b. Your expenses should be less than or equal to your total income.
- c. If your income is not enough to cover your expenses, adjust your budget (your spending) by deciding which expenses can be reduced.

Choose a tool that works for you. Make sure you choose a tool that is easy enough that you won't get discouraged from using it. Each person has their own style, so be sure to pick the best one for you. If the calculator above doesn't work for you, here are some other ideas:

- Mapping Your Future's free and easy budget calculator: mappingyourfuture.org/money/budgetcalculator.cfm
- Simple handwritten notebooks
- Microsoft Excel spreadsheets
- Money management computer programs or online tools

Review your budget. Be certain to review your budget regularly. Does the budget meet your needs and help you achieve your goals? If not, make some adjustments or create a new budget that better meets your needs.

Budgeting Tip: If you are not sure where your money is going, carry a small notebook with you for 30 days and write down each cash expense. This will enlighten you as to what you are spending.

Step 7: Borrow smart

At some point you may need to borrow money (take out a loan). It is imperative that you borrow smart if you want to maintain your financial stability.

Loans are most commonly used for the following:

- Homes
- Automobiles
- Education

When considering the purchase of any item, consider these questions: "Do I really *need* this item?" "Would I be better off to save for this item in the future and pay cash?"



With any loan, you should consider several factors, including the interest rate, additional fees, and down payment.

- The **interest rate** is the amount you are charged to borrow money. When money is borrowed, you must repay the principal (the dollar amount you borrow), and the interest that accrues during the life of the loan. The higher the interest rate, the more you will pay. Interest rates may be fixed or variable.
 - Fixed interest rates will remain the same throughout the term of the loan.
 - Variable interest rates will periodically adjust as a result of current market conditions.
- For some loans, **additional fees may be charged**. For example, some loans have closing costs. Auto loans may include additional insurance or warranty costs. Student loans may have origination and/or default fees. Prior to accepting a loan, make sure you understand the payment requirements and all of the fees associated with the loan. It is important to know exactly how much you will be expected to pay.
- **Down payments** are large payment amounts paid toward your purchase. Down payments minimize the amount you have to borrow. The more money paid up front toward the purchase, the more money you will save over the life of the loan. For most large purchases, it is recommended that you pay at least 20 percent for a down payment.
- **Your monthly payment must fit into your budget**. The new monthly payment must not cause your expenses to exceed your income.

Here are some additional guidelines to help you determine whether or not to borrow money:

- Housing expenses should not exceed 33 percent of your gross income. Many lending institutions look at this factor in determining your loan eligibility. Percentages may vary slightly between lenders.
- Loan installment payments which include auto and student loans, credit cards, etc. should not exceed a combined total of 20 percent of your gross income.
- Remember to save money and have at least 6–12 months of emergency savings.

When making a decision to make a purchase, add the new payment amount into your monthly budget. Consider the guidelines above when inserting the figure for the new purchase. If the amount of the payment for the purchase exceeds the recommendations, does not allow you to save money, or causes your monthly expenses to exceed your monthly income, you may want to postpone your purchase until you have more money saved, find a more affordable and comparable item, or pay off other debt.

For more information about your student loan debt: You may access the National Student Loan Data System (NSLDS) on line at www.nslds.ed.gov or call toll-free (800) 999-8219. You will need your FSA ID to view your loan history. Please note this website only includes information about your federal student loans and does not have information about alternative or private student loans.

The U.S. Department of Education offers the publication "Your Federal Student Loans: Learn the Basics and Manage Your Debt." The publication is located at <https://studentaid.ed.gov/sites/default/files/your-federal-student-loans.pdf>.

Step 8: Manage your credit cards wisely

It is easy to get a credit card, but managing it isn't always as easy.

Here are some helpful tips:

Credit cards are borrowed money. You must repay them.

Don't spend more than you can afford to pay in full. If you do not pay your balance in full each month, interest will accrue and will be added to the total amount you owe.

Understand the consequences of a credit card.

Example:

A television is purchased by credit card for \$1,000 with an interest rate of 22 percent. Instead of paying the amount in full when the bill is received, you only make the minimum required payment of \$25 each month. Result: at the end of 72 months, you will have paid a total of \$1,800 for a television that originally cost \$1,000.

Consider all of the possible consequences before getting a credit card.

- Careful use of your credit card will assist you in establishing a solid credit rating.
- Poor use of your credit card can rapidly place you into debt.

Choose wisely. When selecting a credit card, make certain you have selected one with the most affordable options and no hidden costs. When selecting a credit card, look for the following:

- A low annual percentage rate (APR). The lower the rate, the less interest you have to pay. Low introductory rates may be raised after a year or less.
- The interest calculation method affects how much interest is paid, even when the APR is identical.
- Annual fees or any fees should not be charged. If the issuer charges an annual fee, ask them to waive it or do not accept the credit card.

- Late payment fees, transaction fees, over the limit fees, etc. will increase the total cost of your charges.
- A grace period is often provided if you agree to pay off your balance before interest charges begin to accrue. Other credit cards may charge interest from the day the charges appear on the account.
- Various services and features, such as cash rebates, frequent flyer miles, extended warranties, etc. may have hidden future costs. Think carefully about the true cost of these programs.



Limit your number of credit cards. Having only a few (or one) credit cards will make it easier to manage your spending and prevent overspending. You will need to make a payment for each credit card with a balance, preferably to pay the balance in full each month.

Don't always carry your cards with you. Having a credit card can give you easy access to money you would not typically have. If you leave the card at home, you may think twice before using it to buy items you don't really need.

Track your spending:

- Check your credit card account online frequently.
- Save receipts.
- Maintain a ledger to track your expenses and match it with your monthly statement.

In case your card is lost or stolen, keep a record of the account number and the issuer's name and phone number. Photo copy the front and back of your card and store it in a safe place at home.

Step 9: Review and understand your credit report

A credit report is a collection of information about you and your credit history and will have a significant impact on your financial future.

There are three major credit reporting agencies:

- Equifax – www.equifax.com
- Trans Union – www.transunion.com
- Experian – www.experian.com

You have a credit report if you have applied for a credit card or for a student, auto, or home loan.

Potential creditors will review your credit report to determine your eligibility for a loan. Landlords, potential and current employers, government licensing agencies, and insurance underwriters also may view your credit report.

Credit bureaus report answers to the following questions:

- How promptly are your bills paid?
- How many credit cards do you hold?
- What is the total amount of credit that is extended?
- How much is owed on all of your outstanding accounts?

Negative information (late payments, bankruptcies, too much debt) found on your credit report can have a serious impact on your ability to:

- borrow loans,
- seek employment in certain occupations,
- receive a promotion, or
- purchase or rent a home.

Positive information will remain on your report indefinitely.

Credit inquiries and negative information have time limits:

- Inquiries – six months to two years
- Most negative information – seven years
- Bankruptcies – seven to 10 years

Note: Multiple inquiries in a short period of time may be considered negative information in the eyes of some potential creditors.

A credit report typically includes the following:

- Personal identifying information – name, Social Security number, date of birth, current and previous addresses, and employers
- Credit account information – date opened, credit limit, balance, monthly payment, and payment history
- Public record information – bankruptcy, tax and other liens, judgments, and, in some states, overdue child support
- Inquiries – names of companies that requested your credit report

A credit report does not include the following:

- Checking or savings account information
- Medical history
- Race
- Gender
- Religion
- National origin
- Political preference
- Criminal record

You should review your credit reports at least once per year, verifying that all of the information is accurate. You can request your credit report annually free of charge. To request your free credit report, go to www.annualcreditreport.com.

If credit is denied at any time, the lender must provide a letter explaining the reason and indicate which credit agency report was reviewed. You may request a free report from that agency within 60 days of receiving the letter.

Report all inaccuracies on your credit report to the agency immediately. Be certain to notify both the credit bureau and the information provider, in writing, of the discrepancy. Include the following in the notification:

- Name
- Complete address
- A summary of the information that you are disputing and why
- A copy of the credit report with the information highlighted
- Copies of any supporting documents

When the dispute is received, the credit agencies have 30 days to investigate and respond to you in writing.

In most instances, if the information is incorrect on one credit report, it will be incorrect on all three. Review and contact all three credit agencies when disputing information.

For more information on your rights and responsibilities regarding your credit report, review the Fair Credit Reporting Act (www.ftc.gov/os/statutes/031224fcra.pdf).



Your Credit Score

Your credit score evaluates your credit worthiness by assigning values to factors such as income, existing debts, and credit references. Banks and other lending institutions use the score to evaluate the risk of loaning money.

The most commonly used credit score is the FICO score provided by Fair Isaac Corporation. This score is based only on credit information (personal factors are not considered). FICO scores consider five components of the credit history weighting some higher than others:

- Payment history – 35 percent
- Debt owed – 30 percent
- Length of credit history – 15 percent
- New credit – 10 percent
- Types of credit used – 10 percent

FICO scores range from a low of 300 to a maximum of 850. Most lenders will not use your FICO score alone to determine your eligibility for a loan, but it can have a significant impact on the interest rate you receive. Higher scores typically result in lower interest rates—which result in lower monthly payments and less interest paid over the life of the loan.

Step 10: Protect yourself from identity theft

Identity theft is the fastest growing crime in America. Perpetrators borrow money in someone else's name and leave their victims with mountains of debt and serious credit problems, or may commit crimes using another person's identity.

To prevent identity theft, it is critical to keep your information safe:

- Shred financial documents and paperwork with personal information before you discard them.
- Protect your Social Security number. Don't carry your Social Security card in your wallet or write your Social Security number on a check. Provide it only when absolutely necessary. You may always ask to use another identifier.
- Don't provide personal information over the phone, through the mail, or over the Internet unless the party is known and reputable.
- Never click on links sent in unsolicited e-mail messages.



- Use firewalls, anti-spyware, and anti-virus software to protect your personal computer. Keep the protections up-to-date. Visit OnGuardOnline.gov for more information.
- Don't use an obvious password like your birth date, your mother's maiden name, the last four digits of your Social Security number, or your phone number.
- Keep all personal information in a secure place at home, especially if you have roommates or employ outside help.

Monitor your financial information regularly and request a free copy of your credit report annually. Review various financial accounts and statements, checking for the following:

- Purchases that were not made by you
- Bills that do not arrive as expected
- Unexpected credit cards or account statements
- Denials of credit for no apparent reason
- Calls or letters about purchases you did not make

If identity theft is suspected, act quickly! Review the Federal Trade Commission's (FTC) victim recovery guide (www.ftc.gov/bcp/edu/microsites/idtheft/).

Understand identity theft in relation to student loans. A federal student loan may be cancelled if it was falsely certified as a result of a crime of identity theft.

Step 11: Understand your tax liability

As mentioned earlier, federal (and state, if applicable) taxes usually are deducted from payroll checks. You must file a federal (and state, if applicable) tax return each year by the date set by the federal government (usually April 15).

There are three parts to determining federal tax liability:

#1 – Determine Adjusted Gross Income (AGI) = gross income minus allowable deductions

- *Gross income* – the total amount (from all sources) of income that is subject to federal or state income tax
- *Allowable deductions (adjustments)* – certain retirement, insurance, and support expenses

#2 – Calculate your taxable income

Subtract from the AGI:

- *The larger of* the itemized exemptions or the standard deduction
 - Common itemized deductions:
 - Medical and dental expenses
 - State, local, and foreign income and property taxes
 - Mortgage and investment income (limited)
 - Charitable contributions (limited)
 - Job related expenses (in excess of 2 percent of AGI)
 - Some moving expenses
 - The standard deduction is a set deduction amount based on the individual filing status, age, and vision.
- *Personal exemptions* – deductions based on the number of people supported by the individual

#3 – Calculate the tax liability

Using the amount of your taxable income calculated in step 2:

- **Calculate individual tax by using the current progressive tax structure** (tables [provided by the IRS](#)). With a progressive tax structure, the larger the amount of taxable income, the higher the tax rate.

Single Taxpayer	Rate
Not over \$9,525	10% of taxable income
Over \$9,525 but not over \$38,700	\$952.50 plus 12% of the excess over \$9,525
Over \$38,700 but not over \$157,500	\$4,453.50 plus 22% of the excess over \$38,700
Over \$157,500 but not over \$200,000	\$32,089.50 plus 32% of the excess over \$157,500
Over \$200,000 but not over \$500,000	\$45,689.50 plus 35% of the excess over \$200,000
Over \$500,000	\$150,689.50 plus 37% of the excess over \$500,000

- **Subtract any tax credits that may be qualified by the individual**

Students and student loan borrowers, keep these tax credits and deductions in mind:

- **American Opportunity Credit** – Available to students in their first four years of undergraduate studies. If the income cap requirements are met, you may be eligible to receive a credit for qualified educational expenses.
- **Lifetime Learning Credit** – Available to both undergraduate and graduate students with qualified education expenses. If eligible to qualify for an American opportunity credit, you may not use the same expenses to qualify for the Lifetime learning credit.
- **Tuition deduction** – Students may claim up to \$4,000 of qualified education expenses paid during the year for the student, spouse (if filing jointly), or the student's dependent.
- **Interest deduction**– If the adjusted gross income is less than \$70,000, you are eligible to deduct the interest paid on student loans.



If the amount of tax that has been paid through payroll deductions is less than the total tax liability, the difference will have to be paid as tax.

Taxes paid through payroll deductions > Total tax liability -- the difference is refunded to taxpayer

If the amount of tax that has been deducted through payroll is greater than the total tax liability, then the difference will be refunded.

Tax Advisors: It is a good idea to have tax returns reviewed by a reputable tax advisor before filing with the IRS. Tax advisors may be able to identify additional credits and deductions where the taxpayer may qualify. They also may identify costly mistakes.

Step 12: Know when to ask for help

The final step on the path to financial success is knowing when to request assistance. These warning signs may indicate you need help:

- Are you living paycheck to paycheck with no money going into savings?
- Are you alternating which bills to pay each month, leaving some unpaid?

- Are you late making payments?
- Are you using one credit card to make the payments on another?
- Do you have creditors calling you?
- Are you being denied credit?

A plan of action:

- **Take responsibility.**
 - Review your budget and make changes where necessary.
 - Increase your income.
 - Decrease your spending.
 - Contact your creditors. They may be willing to work with you. Some may agree to lower your interest rate and/or waive fees if you ask.
 - Look into debt consolidation, carefully weighing the pros and cons.
 - Look for creative ways to change your financial situation, such as selling unused items on eBay, eating in rather than dining out, etc.
- **Ask for help.** Some resources:
 - **Financial planners** – Many banking institutions have financial planners who may assist in finding ways to begin planning and saving for the future.
 - **Consumer credit counseling services** – If you are unable to pay your bills, these organizations will assist and work with you and your creditors to help reduce monthly payments and often eliminate portions of your debt. When choosing a consumer credit counselor, choose a nonprofit organization. Examine fees and the pros and cons of using these services prior to agreeing to anything.
 - **Student loans** – Contact your lender, servicer, guarantor, and your school for any information that may help reduce or postpone your monthly payments.

Remember, a lot of money doesn't necessarily unlock the door to financial freedom. The key to financial freedom is found when you manage what money you do have well!