

FAQ Financial Literacy for Native Elders

What is financial literacy?

Financial literacy is the ability to use knowledge and skills to manage money and financial resources effectively. It is more than just being able to balance a checkbook, understand your credit score, compare annual percentage rates (APR), compare prices or get a job. It also includes skills like long-term vision and planning for future life events, and the discipline to use those skills every day.

What's the difference between a credit score and credit report?

A credit score is the numerical value calculated from information in your credit file that is used by lenders and landlords to assess your "credit risk". A credit score helps to determine or predict how creditworthy you are and how likely you are to repay a loan and make the payments on time. The higher an individual's credit score, the lower they are considered as a credit risk. The Fair Isaac Corp. (FICO) produces the most commonly used credit scoring algorithm in the United States. Credit scores typically break down in the following manner: 720 or more is excellent; 690 – 719 is good; 630 – 689 is fair; 629 or lower is bad.

A credit report is a summary of your financial dependability. It is your history of paying debts and other bills. Credit card companies and banks provide information about your credit history to credit bureaus (also known as credit reporting agencies) who in turn create a credit report to provide to lenders and employers.

What Is APR?

An APR, or Annual Percentage Rate, is a yearly rate of interest on a loan or credit card. When deciding between credit cards, the APR can help you compare how expensive a transaction will be. Some credit card companies offer a grace period for new purchases, which means that if you make purchases and pay off your ending balance each month by the due date, you pay just the amount you owe with \$0 interest. However, if you opt to carry a balance on your card, you pay the agreed upon interest on your outstanding balance. The maximum allowable interest rate can vary up to as high as 29.99%. To get the best rate it pays to comparison shop.

As an Elder, is it too late to repair bad credit?

The good news for Elders is that no matter what your credit score is today, there are several steps you can take now to improve your scores. **See NICOA'S Credit Report Fact Sheet** for more information.

Where can I get a credit report?

The Fair Credit Reporting Act (FCRA) requires each of the nationwide credit reporting companies (Equifax, Experian, and TransUnion) to provide you with a free copy of your credit report, at your request, once every 12 months. There is a central website, a toll-free telephone number, and a mailing address through which you can order your free annual report. To order, visit www.annualcreditreport.com, call 1-877-322-8228. Or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

What is a fiduciary?

According to the Consumer Financial Protection Bureau, a fiduciary is someone who manages money or property for someone else. When you are named a fiduciary, you are required by law to manage the person's money and property for his or her benefit, not yours.

What is a power of attorney?

A power of attorney (POA) is a legal document that lets you appoint someone to handle financial and legal matters on your behalf. When you authorize someone else to act on your behalf you are referred to as the "principal," "grantor," or "donor." The person you authorized to act on your behalf is the "agent" or "attorney-in-fact" or fiduciary. With a power of attorney, the person you appoint will be legally permitted to take care of important matters for you, including paying your bills and managing your investments, if you are unable to do so for yourself. A durable power of attorney (DPOA) serves the same function as a power of attorney, however, a durable power of attorney is effective even if you become incapacitated.

What should I do if I feel like I no longer have the ability to handle my finances?

As we age, health conditions and the natural aging process may make it more difficult to make sound financial decisions. If you or a loved one has a condition that may impair financial decision-making abilities, consult your primary care doctor who can refer you to a trained professional. In the meantime, there are steps you can take now to protect yourself from financial loss or exploitation. See **NICOA's Financial Caregiving fact sheet** for more information.

What is Elder financial exploitation?

Financial exploitation, as defined by the Older Americans Act, is the fraudulent or otherwise illegal, unauthorized, or improper actions by a caregiver, fiduciary, or other individual in which the resources of an older person are used by another for personal profit or gain; or actions that result in depriving an older person of the benefits, resources, belongings, or assets to which they are entitled. Simply put – elder financial exploitation is the wrongful taking of money, property or belongings.

What should you do if you or someone you know becomes a victim of financial exploitation or another form of elder abuse?

In most cases, you would contact your local Adult Protective Services office, generally a part of your county or state department of social services. You can find contact information at www.eldercare.gov, a public service provided by the U.S. Administration on Aging, or by calling 1-800-677-1116. For life threatening emergencies, contact your local police department.

What is identity theft?

Identity theft occurs when thieves steal your personal information such as your Social Security number, birth date, credit card numbers, personal identification numbers (PINs), or passwords. With sufficient information, another person can appear to become you and use your identity to commit fraud or other crimes.

What is medical identity theft?

Medical identity theft occurs when someone steals your personal information — such as your name and Medicare number — and uses the information to get medical treatment, prescription drugs, surgery or other services and then bills Medicare for it. Medicare identity theft is also a form of Medicare fraud.

Does NICOA have programs or resources to help me increase my financial literacy?

Yes, NICOA offers financial literacy workshops, trainings, and resources. The goal is to raise awareness among Elders and their caregivers on how to prevent fraud, scams, and other financial exploitation and encourage planning and informed financial decision-making. To sign up for programs and resources in your area or to receive resources — call 505-292-2001 or visit www.nicoa.org for more information.

This document is not intended to provide legal advice or serve as a substitute for your own legal counsel.

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