

# the Game of **LIFE**

How your finances can dictate your future

## INSTRUCTIONS

Below, you'll find tips and explanations to increase your financial literacy. If you follow all the rules, you'll be well on your way to success.

### SETTING UP A BANK ACCOUNT

There are two main types of bank accounts used by young adults: checking and savings. A savings account will allow you to earn interest on whatever money you choose to deposit. A checking account is used for transactions on a debit or credit card. You can set up both of these accounts simply by walking into your local bank and providing your ID, Social Security Number, mailing address, and an initial deposit.

### CARDS: DEBIT OR CREDIT?

A credit card enables you to borrow money that you do not have. However, if you fail to pay back the money you borrow each month, your loan will collect interest at an extremely high rate. By using a credit card responsibly and paying off your loans each month, you will gain a credit score, which allows you to negotiate for lower interest rates when buying cars and houses. A debit card, on the other hand, is linked directly to your checking account. Once your money runs out, you can't spend more.

### DECODING TAX FORMS

There are three important tax forms that you must fill out when you start making income: the W-2, the 1098, and the 1099. The W-2 is sent to you by your employer annually. It provides information about how much your employer paid you, how much is deducted for tax, and how much is automatically contributed to a retirement fund. The 1098 concerns loans. If you have student loans or a mortgage, you must fill out this form. The 1099 is the catch-all: it is used for other forms of income besides your primary job, like freelance work.

### THE USE OF INSURANCE

Insurance is your backup plan. It is one of the most important things to have in case things out of your control go awry. It is essentially a gigantic rainy day fund that will bail you out in case of any emergencies. There are many different types of insurance, but auto insurance is specifically required by law. It will protect you against having to pay full price in the event that you get into a car accident. Insurance is paid monthly and goes into the company's pool, so that they will have enough money from all of their customers to cover you in the event that something goes wrong. Insurance is a necessity for living a safe and successful life.

SOURCE: THE BALANCE

