Dollars & $ense

A guide to financial literacy and wellness

PROSPER

Summary

Dollars & $ense: A guide to financial literacy and wellness is a go-to resource for consumers and investors looking to be smarter with their money. Inside you'll find everything from budget basics, to new and smart ways to invest, to a finance glossary with top financial terms that everyone should know.

For additional information on financial well-being, visit www.prosper.com.

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Follow the Money: How to Track Your Spend and Set a Budget

One of the first building blocks of a successful personal finance plan is the ability to budget. Although it's easy to understand, it can also be difficult to do because it requires a hard look in the mirror and a willingness to see what really stares back at you.

Track your monthly spend: To help keep yourself honest, we recommend that you track your spend using a personal finance app like Prosper Daily. Simply link your debit and credit cards to the app and all your transactions will be automatically tracked and categorized. Using an app will not only save you time, but will save you the hassle of keeping all of your paper receipts.

For those who prefer the old school method of pen and paper, we have a budget worksheet for you (on the next page).

Identify fixed, variable and irregular expenses: Fixed expenses are items that do not fluctuate and ones that you have to pay every month— for example, your rent, mortgage, student loan payments and child care. **Variable and irregular expenses** are costs that go up and down each month and ones that come and go like groceries, dining out, pet supplies, and the occasional car repair.

Define priorities and set goals: After you add up your total expenses, decide what's most important, and then start cutting back on some of the things that aren't as important. You may also want to set aside some money for upcoming events or experiences, like a family vacation.

Helpful hints: As you put your budget together it's important to know how much you actually make, and the correct answer is not dividing your annual salary by 12. Instead, you should base your budget on your take-home pay per month. Compensation sites like Paycheck City and ADP have paycheck calculators that make this exercise very easy.

Remember, the number one rule of setting a budget is not to cut out all the fun in your life. For example, maybe you treat yourself to a latte from Starbucks once a week and you brew your own the rest of the week.

Need help budgeting? 84% of Americans feel more in control of their financial situation when they use financial apps to manage their money - Prosper Marketplace, Financial Wellness Survey, 2016

Budget for the month of: ______________________

Income this month:		
Paychecks (salary after taxes)		$
Other incomes (after taxes)		$
Expenses this month:		
HOUSING	Rent or mortage	$
	Renter's insurance or homeowner's insurance	$
	Utilities (gas, electricity, etc.)	$
	Internet, cable and phones	$
	Other housing expenses (property taxes, etc.)	$
FOOD	Grocery expenses	$
	Meals out	$
	Other food expenses	$
TRANSPORTATION	Public transportation and taxis	$
	Gas for car	$
	Parking and tolls	$
	Car mantaince (oil changes, etc.)	$
	Car insurance	$
	Car loan	$
	Other transporation expenses	$
PERSONAL & FAMILY	Child care and child support	$
	Money given or sent to family	$
	Clothing and shoes	$
	Beauty care products	$
	Laundry	$
	Entertainment	$
	School costs	$
	Other personal/family expenses (donations, etc.)	$
FINANCES	Fees for cashier's checks	$
	Pre-paid cards and phone cards	$
	Bank or credit cards	$
	Other fees	$
HEALTH	Medicine	$
	Health insurance	$
	Other health expenses (appointments, etc.)	$

This budget worksheet is from the Federal Trade Commission. For more information, visit: www.consumer.ftc.gov

How to Save Money

An essential component of budgeting is saving. People who make a habit of saving regularly, even small amounts, are well on their way to success. While some use the envelope system, for most, it's best to open a savings account at your local bank or credit union.

As you start to save here are some helpful tips to keep in mind:

- Track your savings and investments. People who keep track of their savings often end up saving more. This calculator will show you how quickly your savings will grow.
- Plan for short-term and long-term goals including retirement.
- Create an emergency fund for unexpected expenses.

Save Money Without Thinking? Services like Digit make it easy for people to save money. According to the website, every few days, Digit checks your spending habits and snags a few dollars from your checking account if you can afford it. You can easily withdraw your money any time with no fees. This might be a good way to save for short-term goals.

Stats for Saving

- 69% of Americans who are saving for retirement will rely on Social Security as their primary source of income – Transamerica, Retirement Through the Ages, May 2015
- 67% of workers without a 401(k) plan have less than $1,000 saved for retirement – Employee Benefit Research Institute, 2016 Retirement Confidence Survey
- 31% of Americans have no retirement savings or pension – Federal Reserve, Economic Well-Being of U.S. Households Survey, 2014
- Over 50% of Americans do not feel confident in their ability to absorb a sudden financial shock – Prosper Marketplace Financial Wellness Survey, 2016

Ready for retirement? There are several tools to help you gauge your finanical future. To see whether you will be able to retire comfortably, check out Fidelity's Retirement Score tool.

Money Moves to Make at Every Age

According to financial experts like Dave Ramsey, here's how you should be thinking about money through the decades:

20s	Avoid debt and focus on paying off student loans.
30s	New homeowner? Try to keep your house payments to less than 25% of your income.
40s	Stockpile the savings by contributing 15% of your household income toward retirement.
50s	If you have spare change, invest in rental real estate for extra income. This will help to pad your savings.
60s+	Considering purchasing long-term care insurance. If you don't, a few years of care could deplete your entire savings.

How to Invest

While the volatility or complexity of the stock market may cause some to shy away from investing or scratch their head in confusion, personal finance experts like Laura Adams, think it's important to remember there are plenty of alternative ways to invest your money.

Here are a few investments to consider:

Invest through a retirement account: While investing through a retirement account isn't new, it's still one of the smartest ways to create financial security. Contributing as much as possible offers tax advantages and growth that compounds year after year.

Plus, many employers offer 401k or 403b matching, which is free money! Contributions to workplace retirement plans come from payroll deductions, which puts your investments on auto-pilot. But if you're not covered by a retirement plan at work, you can invest through an IRA on your own at sites like Betterment, Wealthfront, or FutureAdvisor.

Invest in real estate: In many markets real estate prices haven't fully recovered from the crash in 2008. That means average investors can find good deals and add real estate to their portfolios. However, unless you pay a management company, becoming a landlord takes time, resources, and expertise.

New real estate crowdfunding portals like RealtyShares, RealtyMogul, and Fundrise are a welcome alternative because they eliminate the hassles of direct ownership.

Make sure you do your homework, some real estate marketplaces require you to be an accredited investor and minimums may be as high as $10,000 per deal. Returns vary widely by project, but could be in the range of 8% to 20%.

Invest in marketplace lending: Marketplace lending, also known as peer-to-peer lending, connects creditworthy borrowers to investors who want solid returns. You can get started investing in loans through Prosper with as little as $25, per Note. A single loan is typically divided so you can diversify your portfolio among multiple Notes with the risk and return that makes sense for you. Investors can build high-yield income ladders with 3- and 5-year Notes. You can choose a regular investing account or a tax-advantaged IRA.

Prosper's Notes are offered by prospectus filed with the SEC and you should review the risks and uncertainties described in the prospectus prior to investing. For more information please visit, www.prosper.com/prospectus.

How to Raise Your Credit Score

Excellent credit is something to strive for, but for most of us, we're just not there yet. In fact, 56% of American consumers have credit scores lower than 700 according to a study by the Corporation for Enterprise Development.

Good credit makes your life easier – you can get a loan easier and you may qualify for better interest rates.

Here are six ways you can start to raise your score:

- **Monitor your credit closely.** Consumer credit monitoring services can track your score, as well as personal finance apps like Prosper Daily. The free app is designed with a full suite of tools that allows you to monitor your credit score monthly, set-up fraud alerts, flag wrongful charges and track your spending all in one place.

- **Pay on time:** A great way to keep a healthy credit score is to make sure you pay your bills on time. Payment history typically accounts for 35% of your credit score. To ensure that you pay on time consider setting up payment reminders. Some banks offer payment reminders on their websites that can send you an email or text message reminding you when a payment is due. You can also consider enrolling in automatic payments.

- **Increase your credit limits.** Raising your credit score means lowering the proportion of the debt you owe to the credit you have. Aim for a percentage of 30% or less.

- **Pay down your revolving debts.** This one might seem obvious—the less debt you have, the better your score is. Focus on paying down your credit cards and items that you purchased through a financing plan, like a big screen TV or computer.

- **Charge less.** Here's a surprising thing about credit cards: Even if you pay your balances off every month, using them could still be hurting your credit score. That's because credit bureaus look at your statements' monthly closing balances, not whether you've carried a balance. Using your credit card less and lowering your statement balances is an easy way to increase your credit score, even it you already have good credit.

- **Consolidate your debt.** Debt consolidation has two important goals, and they're both good news for your credit score: 1) increasing the average age of your revolving lines of credit without reducing your total credit limit, and 2) lowering the interest you'll pay over the lifetime of your current debts. Consolidating debt can also help you to pay off debts more quickly.

  If you have several credit cards from a single issuer, ask to consolidate all of your credit cards onto the oldest card. If you qualify, consolidating credit card debt via a marketplace lender such as Prosper can help you to save even more because rates are often lower than a credit card. The idea is to stop using your credits cards, not to close them.

Debt Consolidation 101

If you are struggling with debt because you have multiple credit card accounts and loans, you might want to consider debt consolidation.

Is debt consolidation right for you? Ask yourself these three questions:

- **Do you have a lot of unsecured debt?** Unsecured debt is any debt that does not have physical property as collateral against it, like your credit card bills. If you answered yes, then consolidation is a good option. Don't consolidate against secured debt, like your home, or you may end up losing it if you miss payments.

- **What are the APRs on your credit cards?** According to a recent report from CardHub, the average credit card rate is 18%, and with some cards starting as high as 24.09%, it's important to know the APRs for all of your cards.

- **Do you have good credit?** Your credit score will dictate how low a rate you can get. If you have a credit score of 640 and above, you might want to consider taking out a loan through Prosper. The loans are fixed-rate, fixed-term with no prepayment penalties.

If you want to explore consolidaing your debt, here is what to do next:

- **Research a good credit agency.** Many agencies have high service fees and interest rates that are comparable to other creditors, so do your homework. Look for an agency that belongs to either the National Foundation for Credit Counseling or the Financial Counseling Association of America.

- **Set up a counseling session.** A credit counselor can help you look at your finances holistically and identify the best avenue to reach your goals.

- **Do the math.** Consolidating via a marketplace lender like Prosper can save you a lot of money. Let's say you put a $10,000 medical expense on your credit card. According to Bankrate.com, if you just pay the minimum each month, it will take 28 years to pay off your debt, and you will end up spending more than $12,000 in additional interest payments. [1] Compare that to marketplace lending, where you could pay off your debt in three years with a fraction of the interest payments—savings could amount to more than $11,000.[2]

- **Know that your work isn't done.** Refinancing your debt is only the first step. As you would with a credit card company, make sure to stick to your plan to make timely, regular payments over the course of your loan term. Remember that your debt still exists—it just looks different (and a lot better!)

Finance Defined

The finance world is filled with acronyms and terms that might sound alien to many people. So we've put together a financial glossary that will help you understand money and credit better. By no means is this list exhaustive.

401(k): Is an account sponsored by your employer that enables you to contribute funds for retirement either before or after-taxes depending on the options offered in your plan.

AnnualCreditReport.com: The only site authorized by federal law to provide free credit reports. Americans are entitled to one free credit report annually from each of the three credit reporting bureaus: Equifax, Experian, and TransUnion.

Amortization: When you get a mortgage or car loan you might be presented with an amortization schedule. This schedule shows the gradual repayment of your loan over a period of time.

APR: APR stands for Annual Percentage Rate. It's the interest rate you pay when you get a loan or what you earn on an investment in one year's time including fees.

APY: It's similar to APR, except it takes into account the compound interest you earn or pay over a year. APY is higher than APR because it includes the interest you've already accumulated in its calculations. Banks advertise APY for savings accounts and APR for loans. Capisce?

ARM: Adjustable-rate mortgage. Your interest rate starts out lower but it can go up (sometimes down) over time, which makes them riskier compared to fixed-rate mortgages.

Asset allocation: A diversification strategy in which you spread your money across different investment types called asset classes. There are three basic asset classes:

- **Cash:** Yup, cold hard cash. When you're investing it also means your savings and money market accounts.
- **Bonds:** When you buy a bond you're basically loaning money to an organization, company, or government. Bonds are considered to be less risky than stocks.
- **Stocks:** A share in the ownership of a company. When you purchase a stock, you become a shareholder in the company. We hear Berkshire Hathaway's annual shareholder meeting is a hoot.

Cash flow: The net amount of cash and cash equivalents moving into and out of a business.

Capital gains (and losses): If you sell something for more than you spent to acquire it, that's a captain gain. If you sell it for less than your original purchase, that's a capital loss.

Credit limit: The amount you can charge before it's maxed out.

Credit report: Contains all the relevant information concerning your use of credit in the past, including payment history, account balances and other details. Sometimes your credit report will contain errors, so make sure that you check your report at least once a year. The three credit bureaus in the U.S. are Equifax, Experian, and TransUnion.

Credit score: Lenders use credit scoring, among other things, to determine your creditworthiness. A person's credit score is a number between 300 and 850.

Credit terms: The agreement between borrower and lender that stipulates the monthly payment amount due, due date, fees and interest.

Creditworthiness: Measure of whether you're financially sound enough to extend credit to.

Debt consolidation: The process of combining several loans or other debts into one for the purposes of obtaining a lower rate or reducing fees.

Diversification: You know the adage, "don't put all your eggs in one basket." It's a risk management technique that divides funds among securities of different industries or of different classes.

Financial well-being: When a consumer is on top his or her finances. It's a highly personal state, regardless of income, and one that we all strive for in the present and in the future.

Fixed-rate loan: A loan where the interest rate doesn't fluctuate for the duration of the loan.

Gross income: The total money earned before taxes are deducted. Remember, when creating a budget make sure you take into account your net income, not your gross. Net income is the total money earned after taxes and other deductions are taken out.

Hard inquiry (or hard pull): Inquiries that affect your credit score. Hard pulls must be authorized by you and are generally made by potential creditors to determine your creditworthiness.

Identity theft: Acquiring personal information in order to obtain credit under another's person's name.

IRA: IRA stands for Individual Retirement Account. Unlike 401(k)s, IRA can be opened by an individual and do not have to be sponsored by your employer. You can contribute income up to a set maximum dollar amount each year.

Net worth: The difference between your assets and your debts.

ROI: Return on investment. Cha-Ching. To calculate ROI, take the gain of the investment, subtract the cost of the investment, and then divide the total by the cost of the investment.

Soft inquiry (or soft pull): Inquiries that do not affect your credit score. Soft pulls are usually initiated by utility providers or employers.

Secured credit card: A credit card backed by a cash deposit. When you are building and rebuilding your credit these types of cards can be helpful.

Secured debt: A debt secured with collateral to reduce a lender's risk (e.g. a car loan, mortgage, or home equity line of credit)

Unsecured debt: A debt that is not secured with collateral (e.g. credit cards, certain personal loans)

Variable interest rate: when the interest rate of a loan changes with market condition for the duration of the loan.

Prosper Daily

When you're staying on top of your money, credit and identity using Prosper Daily, here are a

Money Central: It's when you can view all of your accounts and balances together in one simple place. YAAS!

Prosper ID Protect: The most advanced ID theft protection ever created. Built for mobile. Priced for everyone.

Smart Inbox: Where every transaction, from all your cards and bank accounts, is prioritized for your review.

Spend Analytics: Visualize your spending by date and category. Personalize with custom categories.

Recurring Charges: See all your subscription payments in one convenient section, so you can make sure they're all legit, see exactly what you're being charged, and make sure none of those charges jump higher without your approval.

Notes & Disclaimers

[1] According to the Bankrate.com Minimum Payment Calculator (http://bit.ly/wBsq2). This estimate assumes a 16.00% interest rate and a minimum monthly payment equal to 1% of the outstanding balance plus any new interest. Your actual minimum payment, payoff time, and payoff cost will depend on your account terms and any future account activity.

[2] This is based on a three year $10,000 loan with a Prosper Rating of AA and a rate of 5.32 % (5.99% APR) would have 36 scheduled monthly payments of $302 resulting in total interest charges of $842. To qualify for an AA Prosper Rating, applicants must have excellent credit and meet other conditions. Between October 1, 2014 and September 30, 2015 the average three-year loan rate presented to other pre-approved applicants was 12.8% (16.0% APR).