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YOUR GREEN LIFE

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BETTER BANKING & PERSONAL FINANCE

from the 2021 Edition of Your Green Life:

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SET UP A HEALTHY FINANCIAL LIFE

by Eleanor Greene

Whether you're one of over 32 million underbanked Americans or know someone who's trying to become financially independent, not having started already can be scary. But it's never too late to begin a healthy relationship with money. Start with these practical tips or pass them on.

Open a (Green) Bank Account.

According to the Federal Deposit Insurance Corporation (FDIC), more than 32.6 million Americans were unbanked or underbanked in 2017, meaning they did not have a bank account or used products like payday loans, pawn shop loans, or money orders from companies that were not banks. See why and how to find a green bank on p. 54.

Reasons to Get a Bank Account:

- **Safety**—in an insured bank, your money is safe even if the bank is robbed, burns down, or goes out of business, unlike cash kept at home. Check to make sure if your bank is FDIC-insured at fdic.gov/bankfind.
- **Simplicity**—it's easy to manage finances online. You can have paychecks and tax refunds deposited directly into an account and pay bills automatically.
- **Growth**–Personal savings accounts may pay interest, meaning your money grows while in the bank.

Linda Rogers is the owner and founder of Planning Within Reach {GBN}, a virtual financial planner with clients around the world. She helps people create and meet their financial goals and manages investments with sustainability in mind. Rogers encourages folks to put away money every month towards an emergency fund that they keep in a separate high-interest savings account.

"There's something about having that savings account separate—you're not touching it. You don't think, 'oh gosh I've got 50 grand, I'm going to go on that trip'—you don't," says Rogers. "You're living within your checking account and you keep the savings separate."

Rogers recommends saving up six months of living expenses in an emergency fund if you're single, and at least three months if you're married.

Although the recommended amounts may seem out of reach when you're starting out or struggling on a limited

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income, getting in the habit of putting something aside every month is a start.

Make a budget
It's freeing to know where your money is going. Begin by tracking all your income and spending for a month. Once you can see your fixed expenses (like utilities and insurance) versus variable expenses (like entertainment and gifts) you can make a plan to pay off debt, save for a trip, or other financial goals. Apps like Mint and EveryDollar make it easy to get started on a budget and meet goals.

Set up auto payments
Set up scheduled, automatic payments with utilities, banks, and other bills to avoid late fees. Some experts say pay yourself first—meaning as soon as your paycheck comes in, move a set amount to your savings account. You can automate those transfers as well. Bills do have errors from time to time, so make a habit of looking at yours anyway.

"Studies have shown that setting up automatic payments or deductions from your payroll that go into savings accounts and different pots of money, you're much more likely to save more. You'll just kind of let it go," says Rogers. "And that's a good thing. You want to use that 'behavioral finance' to your benefit."

Be smart with your credit card
Banks make money from credit cards with high interest for late payments and fees. Make credit cards work for you by using them to establish and build credit, making future loans and big purchases easier to secure. When using a credit card, spend only what you can afford to pay off in full each month. If you do have to use a card to afford a major purchase, make a plan for how you'll pay it off before you buy. No matter what, always make at least the minimum payment on or before the due date.

Plan for the future
Planning for the future can seem daunting; yet a little planning now can make a huge difference in financial health down the road. If you have debt, Rogers recommends aggressively paying down high rate items like credit cards.

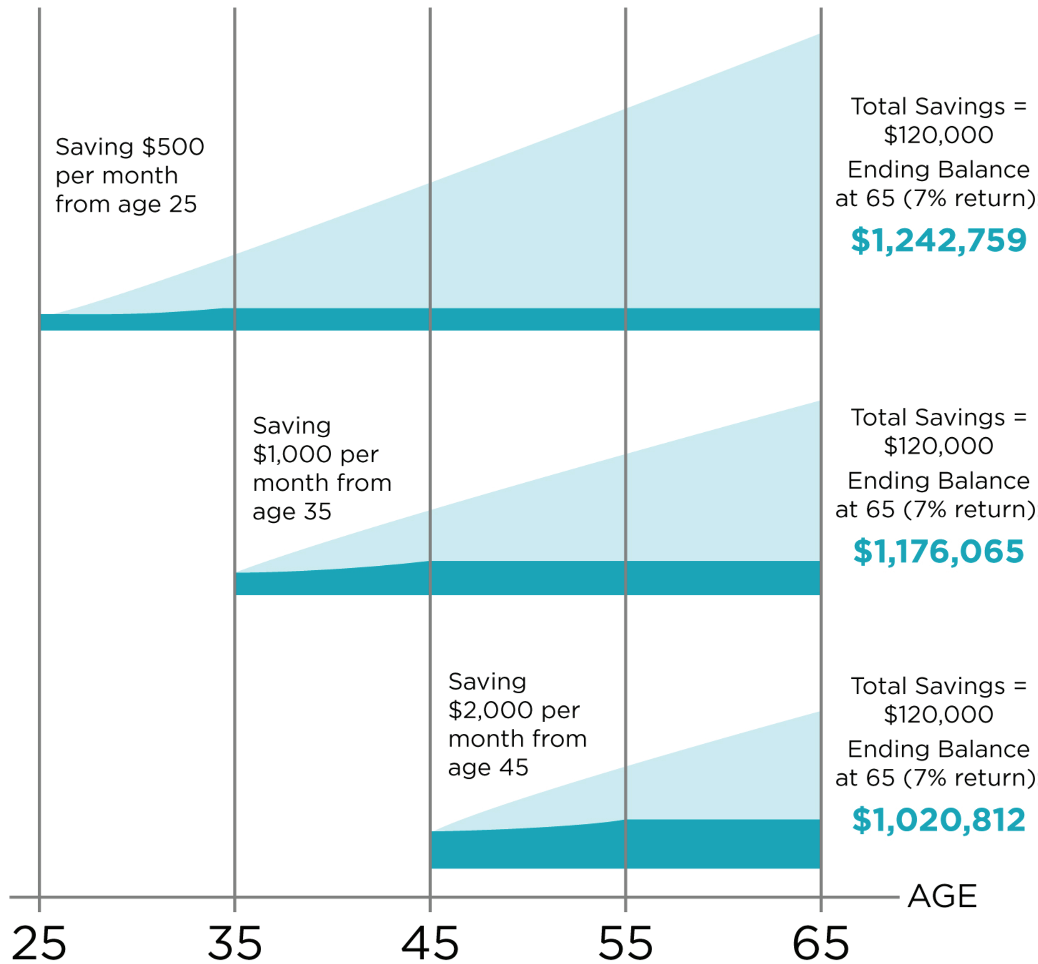
"The only exception is if you get a 401(k) match at work. Like if you save three percent, maybe your employer will match 100 percent of that," says Rogers. "Take advantage of that free money."

In other words, with the matching funds, your money may be better spent investing in your 401(k) rather than going toward paying down debt. When in doubt, ask a professional advisor.

She also recommends starting to save for retirement as soon as you can. This savings will compound over time. If your employer doesn't offer a 401(k), you can enroll in a traditional or Roth IRA.

One last tip Rogers offers is to review your benefits at work and look for a health savings account (HSA). These accounts are triple tax-free because they allow you to put money in pretax, grow tax-deferred, and take money out without taxes as long as it's for health expenses.

THE POWER OF COMPOUND INTEREST



Maine manufactured housing residents purchase land with CDFI financing. Photo from Opportunity Finance Network.

COVID-19'S ECONOMIC FIRST-RESPONDERS

Community Development Financial institutions have been crucial responders to the national need for COVID-19 relief and economic justice.

by Sytonia Reid

Community Development Financial Institutions (CDFIs) are banks, credit unions, loan funds, and venture capital companies that are committed to investing in the prosperity of the communities they serve. CDFIs consider the whole person or community they work with, not just the money they have to offer. Instead, they offer economic empowering services such as funds for small businesses, low-interest loans, and financial literacy programs.

As the US stumbles through COVID-19, reckons with the virulent reality of systemic racism, and feels the present effects of the climate crisis, CDFIs have only become more relevant by helping

In Kansas City, Missouri, T-Shirt King business received a PPP loan with support from a local CDFI. Photo from Opportunity Finance Network.

Americans of all backgrounds adapt to rising unemployment, an under-resourced essential workforce, and small businesses at risk of closing up shop.

"Out of the hideousness of this health emergency, CDFIs were recognized as 'financial first responders' because the businesses and facilities that were shutting down needed support and CDFIs didn't wait to be asked. We reached out first," says Lisa Mensah, president and CEO of Opportunity Finance Network {GBN}.

> *Out of the hideousness of this health emergency, CDFIs were recognized as financial first responders*
> —Lisa Mensah, Opportunity Finance Network

In response to COVID-19, Self-Help Credit Union {GBN} has provided over 1,300 loans totaling $160 million, with 50 percent of those loans going to small businesses and nonprofits that primarily serve communities of color.

"Those loans will be used to preserve 18,000 jobs, so we feel like they're going to help make a big difference," says Deborah Momsen-Hudson, vice president and director of marketing at Self-Help. Momsen-Hudson also serves on Green America's board of directors.

In Minneapolis, where the brutal killing of George Floyd took place, CDFIs are focused on re-evaluating policy, in addition to providing monetary support to industries affected by COVID-19 and the destruction of property. Community Reinvestment Fund USA, (CRF) has provided 1,958 pay check protection loans to date.


A Nashville entrepreneur grew her wellness business with CDFI financing and technical assistance. Photo from Opportunity Finance Network.

"We know that we're going to have losses in our portfolios and that we'll need to rebuild, but first we want to listen to our community," says Frank Altman, CRF's CEO. "The entire SRI world needs to investigate policies that are excluding African Americans from access to capital, and drive capital back into neighborhoods that have been stripped of it multiple times."

Take Action for Community Investing

1 Get A Better Bank

Moving money out of a big bank and into a CDFI shifts support from non-green industries and operations like fossil fuels, private prisons, and sweatshops to local businesses and community members. Visit greenamerica.org/get-a-better-bank to find a CDFI near you.

2 Invest in a Community Development Loan Fund

Community development loans funds are typically nonprofits that offer loans and support services to small businesses, organizations, and individuals in low-to-moderate income communities. Most community development loan funds focus on one or more of these areas: micro-small business, affordable housing, and community service organizations. Community development loans funds are uninsured, so investors could face a loss. You can also find loan funds at greenamerica.org/getabetterbank

3 Tell Congress to Properly Fund CDFIs

In 2019, Congress appropriated $250 million for the CDFI industry, which includes over 1,000 community investing institutions. For more information on public policy advocacy to strengthen CDFIs, visit the sites of USSIF, Opportunity Finance Network, and others and tell Congress to allocate at least $1 billion to CDFIs as part of the HEROES Act.

Green America recommends investing at least one percent of one's investable assets in a community investing institutions. There are many to choose from. Consider how you can make your dollars work for economically marginalized and underestimated communities.

HOW TO

Switch to a Green Bank

You align your business with your green values—but what about your bank?

by Mary Meade

You align your products and practices with your values—but does your banking align with your values, too?

Where you choose to bank has an impact on people and the planet. When your company acquires a loan or opens an account, your dollars are going to projects that the bank chooses to fund. Some banks specifically invest in the success of green businesses like yours—and some banks will loan to drilling projects in the Arctic and will not fairly serve diverse communities.

Small businesses are the lifeblood of the US economy, driving innovation and creating two-thirds of net new jobs, according to the US Small Business Administration. Therefore, where your small company banks matters. Community Development Financial Institutions (CDFIs), including banks and credit unions, finance local projects that enhance traditionally underserved communities. When your small business banks with these types of financial institutions, your dollars are reinvested into the local economy, which brings more customers to your door.

"What most distinguishes CDCUs [Community Development Credit Unions] from mainstream financial institutions is the support we provide to help small businesses and entrepreneurs think through the capital they need to best grow their business," says Cathie Mahon, president and CEO of Inclusiv {GBN}. Inclusiv, headquartered in New York but serving people across the country, is one such CDFI committed to closing gaps and removing barriers to financial opportunities for people living in underserved communities.

Unlike megabanks that prioritize the projects of corporations—too often at the expense of local communities—many small financial institutions invest in projects to grow the community. Therefore, mission-driven financial institutions have a vested interest in the success of your small business. If your company fails, the small bank or credit union loses, too.

Mahon notes how the COVID-19 crisis has further exposed the gaps in the financial system. Thousands of small businesses have suffered on account of the pandemic, particularly minority and social purpose enterprises.

CDFIs across the country have stepped into that gap and are meeting crucial, time-sensitive capital needs for businesses. Inclusiv has offered relief to their community through increased credit lines, deferral of loan payments, has eliminated ATM fees and late payment fees, as well as expanded emergency relief loans.

Break up with your mega-bank:

- ❑ Find a better bank near you with Green America's Better Bank directory at greenamerica.org/getabetterbank. If you don't have one in your city, reach out to one in your state—you still might be able to work with them.
- ❑ Open your new account. Keep your old account open while you order checks, debit cards, and deposit slips.
- ❑ Move your automatic deposits to your new account. Once you have sufficient funds in the account, move your automatic withdrawals and payments.
- ❑ Get print or electronic copies of statements and canceled checks from your megabank in case you need them later.
- ❑ Transfer the remaining funds from your megabank account to your new account. Close your megabank account!
- ❑ Tell your megabank why you're breaking up with it. This sample letter can help: greenamerica.org/samplebreakupletter

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