



9th - 12th Grade

Financial Literacy Educational Slides for Teachers



BuseyBANK®

MONEY
SMART
YOUTH



Money Smart for Young People

Grades 9-12

Dream job

1. What are your interests? What excites you?
2. What are you good at? What skills do you have?
3. What do you want to do after high school or college?
4. What is your dream job, and why?
5. What skills do you think are required for your dream job?
6. How do you think you could get the skills needed for your dream job?

Possible Employer Benefits

Health Insurance: helps cover employee medical costs related to illness or injury

Flexible Spending Accounts: tax-free money set aside by an employee often to be used for out-of-pocket medical expenses

Retirement Accounts:

- 401(k): an employer-sponsored plan to accumulate retirement savings that gives employees a choice of investment options, typically mutual funds. Employees who participate in a traditional 401(k) plan have a portion of their pre-tax salary invested directly in the option or options they choose.
- 403(b): exclusively for employees of public schools and certain tax-exempt organizations to accumulate retirement savings

Life Insurance: provides money to a beneficiary after the death of the insured

Extras: child care, relocation expenses, tuition reimbursement, transportation, wellness programs, discounts on products/services

Paycheck

Bank Main Street						
Electric Electronics Inc. 855 Electronic Avenue Midville, MA 02546				PAYROLL CHECK		Check No. 2756 Date 9/15/14
Pay... Four Hundred Sixty Six Dollars 34 Cents				\$ 466.34		
To The Order Of <u>Jerome Roberts</u>				 Authorized Signature		
⑆876543210⑆ 456789123456⑈2756						
Electric Electronics Inc. 855 Electronic Avenue Midville, MA 02546				Earnings Statement		
Employee No.	Employee Name	Social Security No.	Period Beg.	Period End	Check Date	
543210	Jerome Roberts	xxx-xx-4321	9/1/2014	9/15/2014	9/15/2014	
Earnings	Hours	Rate	Current Amount	Withholdings/Deductions	Current Amount	Year to Date
Regular pay	40.00	15.00	600.00	FICA MED TAX	8.70	191.40
				FICA SS TAX	37.20	818.40
				FED TAX	59.57	1310.54
				MA ST TAX	28.19	620.15
Current Amount	Current Deductions	Net Pay	YTD Earnings	YTD Deductions	YTD Net Pay	Check No.
600.00	133.66	466.34	13,200.00	2,940.43	10,259.57	2756

Choices



**Two-Year
College**



**Associate's
Degree**



**Four-Year
College**



**Bachelor's
Degree**



Apprenticeship



**On-the-Job
Training**



Military



**Armed Forces
Career**



**Direct to
Workforce**



Job



Entrepreneur



**Owning Your
Own Business**

Aisha's Goals

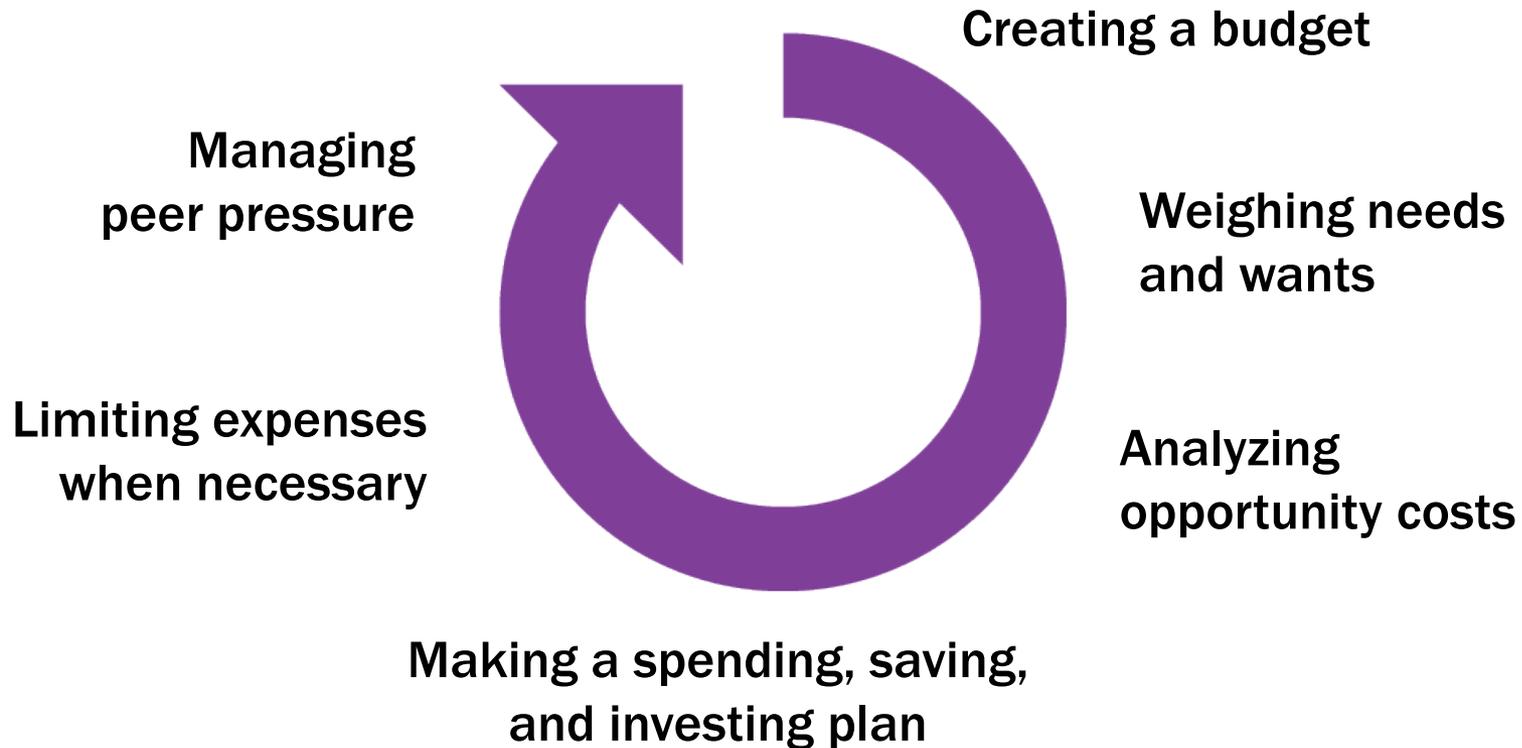
Short-term goal: work part-time in high school to save up money for college

 **Intermediate goal:** go to college for nursing and balance working part-time

 **Long-term goal:** obtain a job as a registered nurse

What's in a Plan?

A financial plan is a series of steps to take in order to reach a goal.



Poor Planning

“By the time they have been retired for two years, 78% of former NFL players have gone bankrupt or are under financial stress; within five years after retirement, an



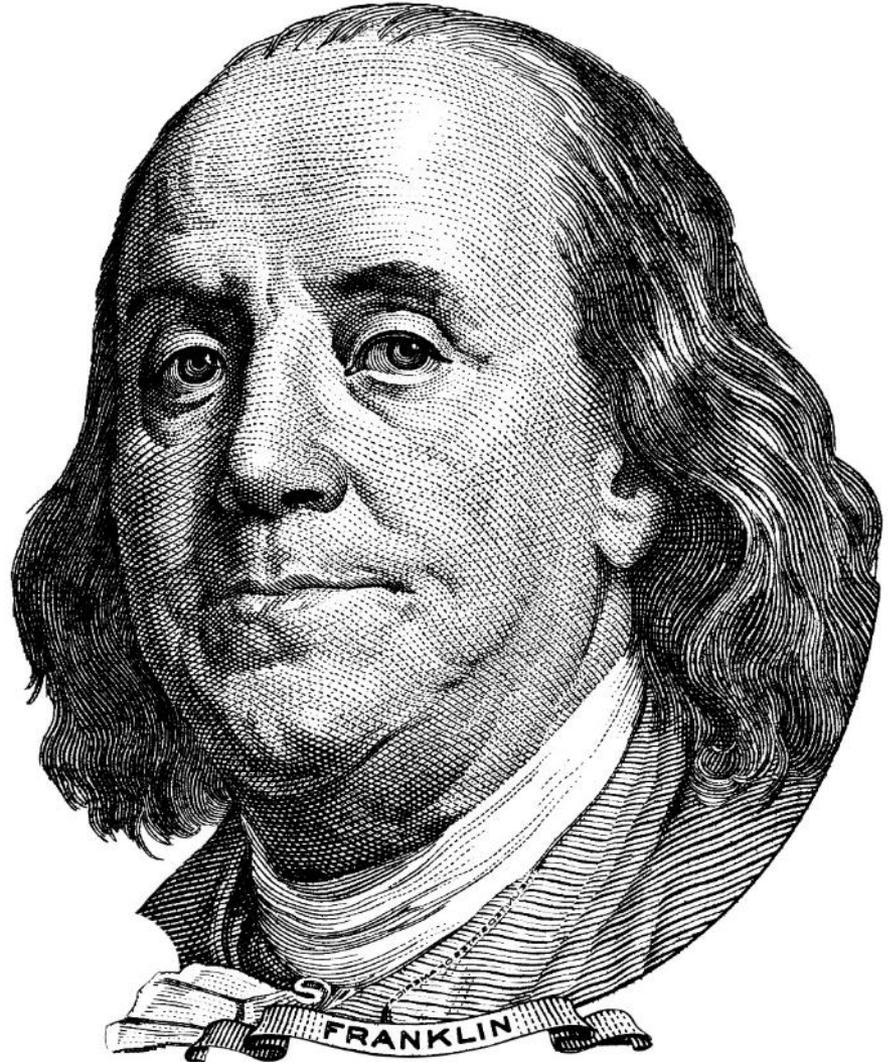
estimated 60% of former NBA players are broke.”

—*Sports Illustrated*

“How and Why Athletes Go Broke”
by Pablo S. Torre, March 23, 2009

Sinking Ship

**Beware of
little expenses.
A small leak
will sink a
great ship.**



1-2-3 Budget

Three steps to building a budget...

Keep track of your spending

Identify your income and expenses

Analyze cash flow and look for ways to increase your income and decrease expenses

Budget Breakdown

Income:

- Various jobs or work, like cutting grass or babysitting wages
- Full- or part-time employment
- Allowances
- Odd jobs
- Interest and dividends
- Other sources, including tips

Expenses:

- Bills (for example: cell phone or cable bill, rent)
- Transportation expenses (for example: vehicle payment, gas, insurance, bus or transit fares)
- Movies, music purchases, game downloads or other entertainment
- Clothes or accessories
- Eating out
- Personal items (makeup, cologne, and so on)
- Savings for college or other future purchases

Cash flow is the relationship between income and expenses

Fixed expenses do not change from month to month (for example: rent and auto loan payments)

Flexible expenses might change from month to month (for example: food and gas)

Pay Yourself First

Spend It or Bank It?



How Money Grows

Compound Interest

$$FV = P (1 + r/n)^{(nt)}$$

FV = Future value

P = Principal (the initial deposit or loan amount)

r = Annual interest rate

n= Number of times interest is compounded

t = Number of years money is invested or borrowed

Annual Percentage Yield (APY)

$$APY = 100 [(1 + \text{Interest}/\text{Principal})^{365/\text{Days in term}} - 1]$$

Compounding Interest Over Time

Compounding means calculating interest on both principal and previously earned interest.

	5 years	10 years
Mattress compounding— NO interest!	\$1,000.00 (unless stolen or lost)	\$1,000.00 (unless stolen or lost)
Annual compounding at 1%	\$1,051.01	\$1,104.62
Monthly compounding at 1%	\$1,051.25	\$1,105.12
Daily compounding at 1%	\$1,051.27	\$1,105.17

Savings Options

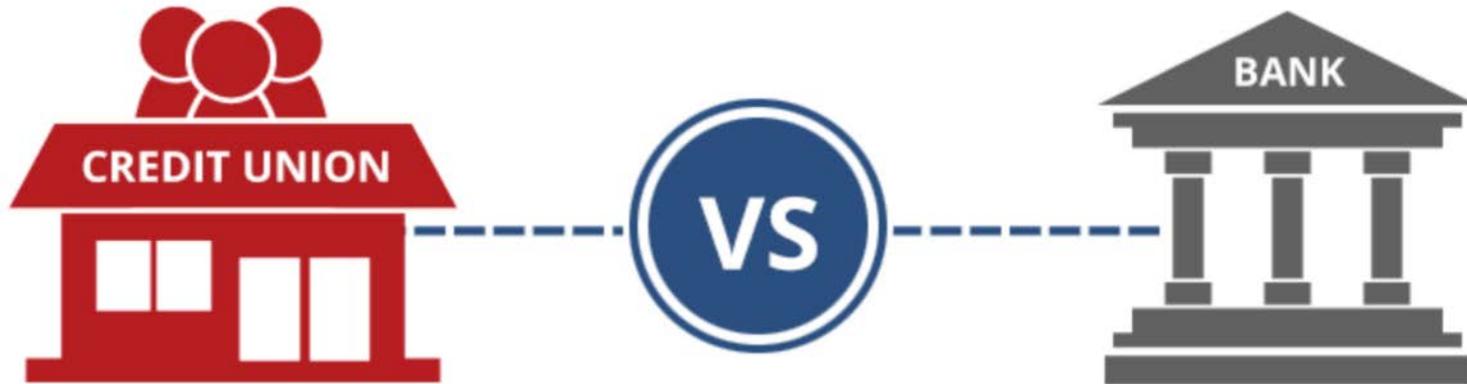
Certificate of Deposit (CD): typically offers a higher rate of interest than a regular savings account in exchange for you keeping the money on deposit for a set term (for example, 6 months or more)

Money Market Account: higher rate of interest, usually requires a higher minimum balance (for example, \$1,000), can make deposits and withdrawals

Savings Account: an account that typically allows unlimited deposits, but limits the number of fee-free withdrawals you can make during a month. You typically earn interest on the money you have on deposit and will receive a statement at least quarterly listing all transactions in the account

Protection: the Federal Deposit Insurance Corporation and National Credit Union Administration (NCUA) protect money saved in member financial institutions

Banking Institutions



- Not-for-profit institutions
 - Owned by members
 - Must meet criteria to become a member
 - Same services as banks and thrifts
 - Operate under state and federal laws and regulations
- Most are owned by shareholders. Some are owned by the people who deposit their money there.
 - Make loans, pay checks, accept deposits, and other financial services
 - Operate under state and federal laws and regulations

Checking and Savings Accounts

Checking Accounts allow you to pay bills, and buy goods and services with the money you have deposited.

A **Savings Account** is a safe place for you to save money and earn interest over time.

Deduction Introduction

Medicare



Income Tax



Social Security



Paycheck

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Predatory Lending



Types of Loans 1

With a CREDIT CARD, you can...

- Buy goods or services and pay for them over time
- Borrow money for household, family, and other personal expenses
- Get into big trouble if you're not careful with spending
- Either build a positive credit history or damage it depending on how you manage the card.



Types of Loans 2

With a **CONSUMER INSTALLMENT LOAN**, you...

- Can pay your personal expenses and your family's expenses
- Can pay the same amount each month in installments for a set period of time
- Can either build or damage credit, by whether you repay the loan on time as you agreed



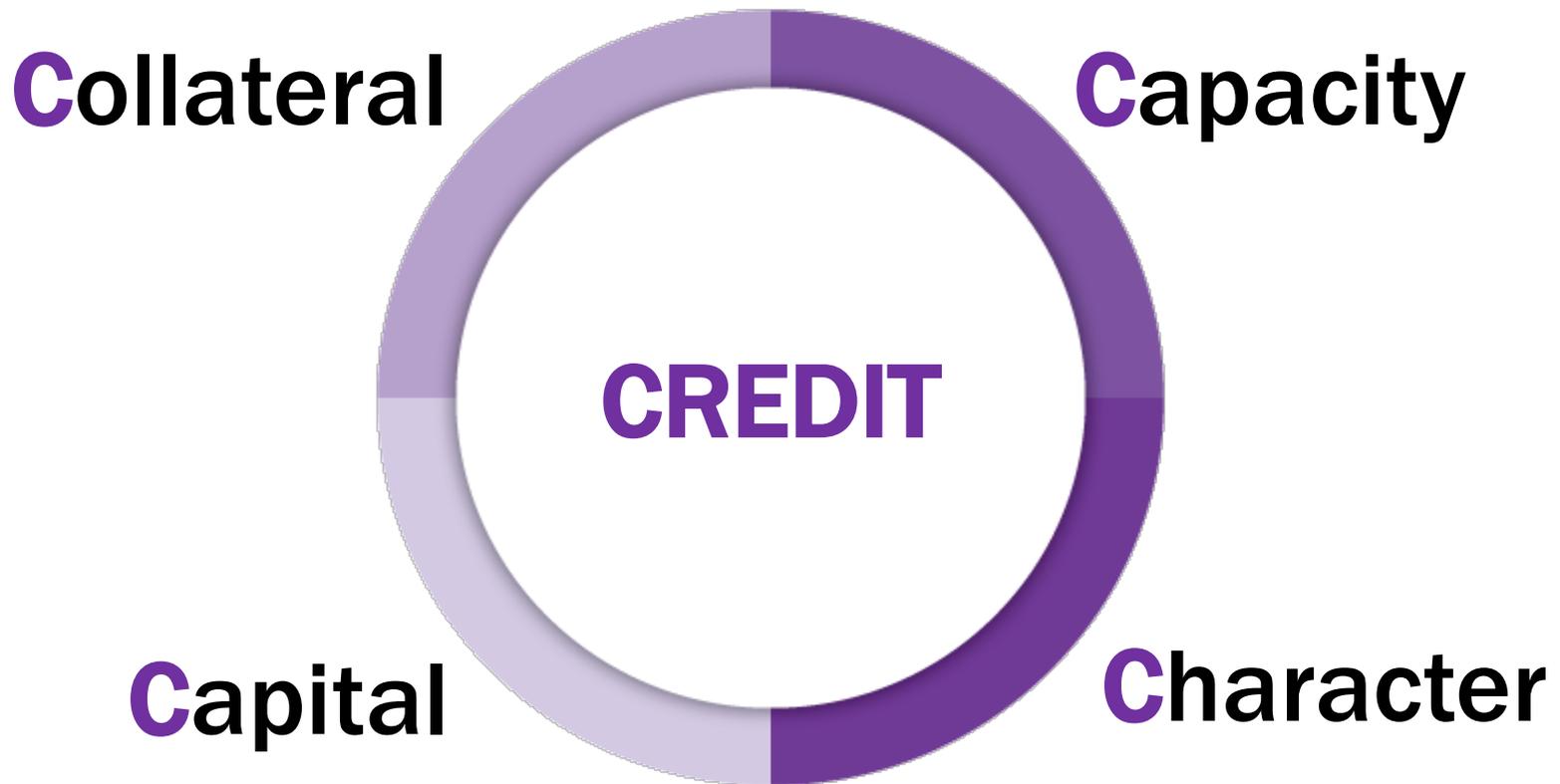
Types of Loans 3

With a **HOME LOAN** (mortgage), you can...

- Borrow money for the purpose of buying a house
- Build positive credit by paying on time
- Damage credit by skipping payments or paying late



The Four Cs of Credit



Credit Report

Example Credit Report						
<Date>	<Time>					
9/20/17	12:15 p.m. CT					
<Subject>	<SSN>	<Birthdate>				
Davis, Rashawn E.	458-28-1920	7/27/72				
<Also known as>	<Telephone>					
Davis, Ray E.	(555) 222 -3333					
<Current Address>						
123 24 th Street NW						
Western, NE 49301						
<Former Address>			<Current Employer and Address>			
3728 Maple Street			First Rate Supplies, LLC			
Eastern, NE 48029			47 First Street, Western, NE 49302			

SPECIAL MESSAGES						
None at this time.						

PUBLIC RECORDS						
Source	Date	Liab	ECOA	Assets	Paid	Docket#
Z 409581	10/12R	\$18930	Court			Attorney
Chapter 7 Bankruptcy			C	\$4000		012-1930
						A. Finch
ZP09741	05/12R	\$5700	I		6/11	012-1104
Paid Civil Judgment						J. McGill

COLLECTIONS						
Subname	Subcode	ECOA	Opened	Closed	\$Placed	Creditor
Account#			Verified		Balance	Remarks
ABC Collections	Y	I	6/12		\$2780	First Bank
09247501			7/15		\$0	

TRADES					
Subname	Subcode	Opened	High Cred	Terms	PayPat
Account#		Verified	CredLimit	PastDue	
ECOA	Collateral/ Loan Type	Clsd/PD	Balance	Remarks	
ABC Bank	N 46871	7/16	\$3500 K	MIN 200	111111111111
123478901234		5/17	\$4000 K		111111121111
I	/Credit Card		\$2580		
Your Bank	B 687111	1/17	\$220 K	360M1141	1111111
16-82093475		8/17	\$218,021		
C	/Mortgage				
Department Store	D 7483111	4/15	\$500	MIN25	11113211111
676518276152	/Credit Card	6/17	\$1500		11111111121
I			\$150		
First Credit Union	Q 9863522	12/14	\$20 K	60M396	111111111111
		7/17	\$10203		111111111111
I	/Automobile				

INQUIRIES					
Date	Subcode	Subname	Date	Subcode	Subname
12/16	Q8398233	Best Mortgage Co.			
12/16	B0383726	City Bank			
12/16	B0090923	Eastern Bank			

Managing Debt

- Am I overextending myself?
- Have I researched and compared rates (using the APR)?
- Do I have a plan in place for paying off the borrowed money?

Two Truths, One Lie

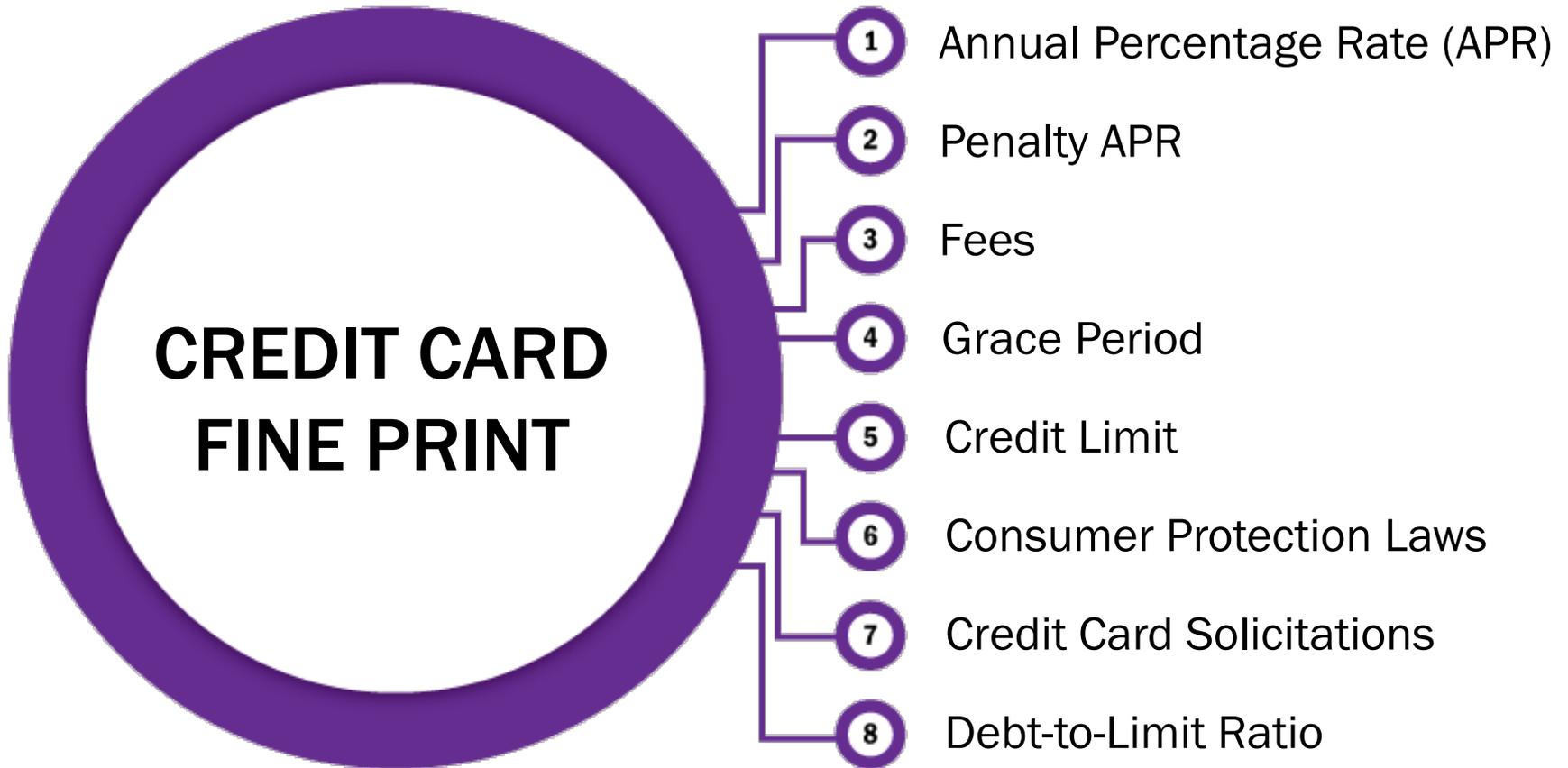
Credit cards...

1. Are used to purchase goods and services
2. Take money from your checking account when used to pay for purchases
3. Are subject to interest charges if not paid in full each month

Credit Versus Debit

1. Which card requires you to have enough money at the time you pay for something?
2. Which card's balance can increase and accrue charges if you do not pay the entire amount each month?
3. Which card(s) may have fees associated with them?
4. Which card generally offers purchase protections against faulty goods?
5. Which card allows you to pay for unexpected emergencies when you do not have enough money?

Credit Card Fine Print



Easy as Pi

3.14159265358979323846264338327950288419716939937510582097494459230781640628620899862803482534211706798214808651328230664709
384460955058223172535940812848111745028410270193852110555964462294895493038196442881097566593344612847564823378678316527120
190914564856692346034861045432664821339360726024914127372458700660631558817488152092096282925409171536436789259036001133053
054882046652138414695194151160943305727036575959195309218611738193261179310511854807446237996274956735188575272489122793818
30119491298336733624406566430860213949463952247371907021798609437027705392171762931767523846748184676694051320056812714526
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97747713099605187072113499999837297804995105973173281609631859502445945534690830264252230825334468503526193118817101000313
783875288658753320838142061717766914730359825349042875546873115956286388235378759375195778185778053217122680661300192787661
119590921642019893809525720106548586327886593615338182796823030195203530185296899577362259941389124972177528347913151557485
724245415069595082953311686172785588907509838175463746493931925506040092770167113900984882401285836160356370766010471018194
295559619894676783744944825537977472684710404753464620804668425906949129331367702898915210475216205696602405803815019351125
338243003558764024749647326391419927260426992279678235478163600934172164121992458631503028618297455570674983850549458858692
699569092721079750930295532116534498720275596023648066549911988183479775356636980742654252786255181841757467289097777279380
008164706001614524919217321721477235014144197356854816136115735255213347574184946843852332390739414333454776241686251898356
948556209921922218427255025425688767179049460165346680498862723279178608578438382796797668145410095388378636095068006422512
520511739298489608412848862694560424196528502221066118630674427862203919494504712371378696095636437191728746776465757396241
389086583264599581339047802759009946576407895126946839835259570982582262052248940772671947826848260147699090264013639443745
530506820349625245174939965143142980919065925093722169646151570985838741059788595977297549893016175392846813826868386894277
415599185592524595395943104997252468084598727364469584865383673622262609912460805124388439045124413654976278079717569143599
770012961608944169486855584840635342207225282848864815845602850601684273945226746767889525213852254995466672782398645659611
635488623057745649803559363456817432411251507606947945109659609402522887971089314566913686722874894056010150330861792868092
087476091782493858900971490967598526136554978189312978482168299894872265880485756401427047755513237964145152374623436454285
844479526586782105114135473573952311342716610213596953623144295248493718711014576540359027993440374200731057853906219838744
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734672218256259966150142150306803844773454920260541466592520149744285073251866600213243408819071048633173464965145390579626
856100550810665879699816357473638405257145910289706414011097120628043903975951567715770042033786993600723055876317635942187
312514712053292819182618612586732157919841484882916447060957527069572209175671167229109816909152801735067127485832228718352
093539657251210835791513698820914442100675103346711031412671113699086585163983150197016515116851714376576183515565088490998
985998238734552833163550764791853589322618548963213293308985706420467525907091548141654985946163718027098199430992448895757
12828905923232609729971208443357326548938239119325974636673058360414281388303203824903758985243744170291327656180937734440
3070746921120191302033038019762110110044923151608424448596376698389522868478312355265821314495768572624334418930396864262
434107732269780280731891544110104468232527162010526522721116603966655730925471105578537634668206531098965269186205647693125
705863566201855810072936065987648611791045334885034611365768675324944166803962657978771855608455296541266540853061434443185
867697514566140680070023787765913440171274947042056223053899456131407112700040785473326993908145466464588079727082668306343
285878569830523580893306575740679545716377525420211495576158140025012622859413021647155097925923099079654737612551765675135
751782966645477917450112996148903046399471329621073404375189573596145890193897131117904297828564750320319869151402870808599
048010941214722131794764777262241425485454033215718530614228813758504306332175182979866223717215916077166925474873898665494
9450114654062843366393790039769265672146385306736096571209180763832716641627488800786925602902284721040317211860820419004
229661711963779213375751149595

Financial Ratios

Debt-to-Income:
monthly debt divided by monthly gross income

Vehicle Loan \div Gross income



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Electric Electronics Inc. 855 Electronic Avenue Midville, MA 02546					Check No. 2756	
PAYROLL CHECK					Date 9/15/14	
Pay... Four Hundred Sixty Six Dollars 34 Cents					\$ 466.34	
To The Order Of	Jerome Roberts				<i>Jerome Roberts</i> Authorized Signature	
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Financial Ratios

Debt-to-Assets: liabilities divided by assets

Liabilities are money owed, or debt obligations

Assets are items of value that can be converted into cash

Liability



Asset



Financial Ratios

Debt-to-Limits:

credit debt divided by credit limit



Reality Check 1



Reality Check 2



True Cost of Vehicles

How much money will I need for a down payment?

What can I afford right now?

What can I afford 1 year...2 years... 5 years from now?

How much will insurance cost?

Do I **NEED** a vehicle, or do I **WANT** one?

Should I lease or own?

What amount can I pay each month?

Will I need money for repairs?

GAS! I forgot about gas...how much will that cost over time?

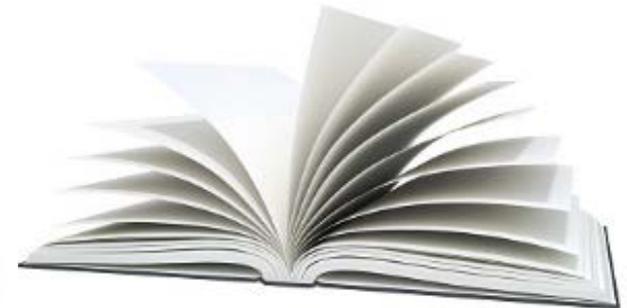
Secure or Unsecured?

Types of Installment Loans

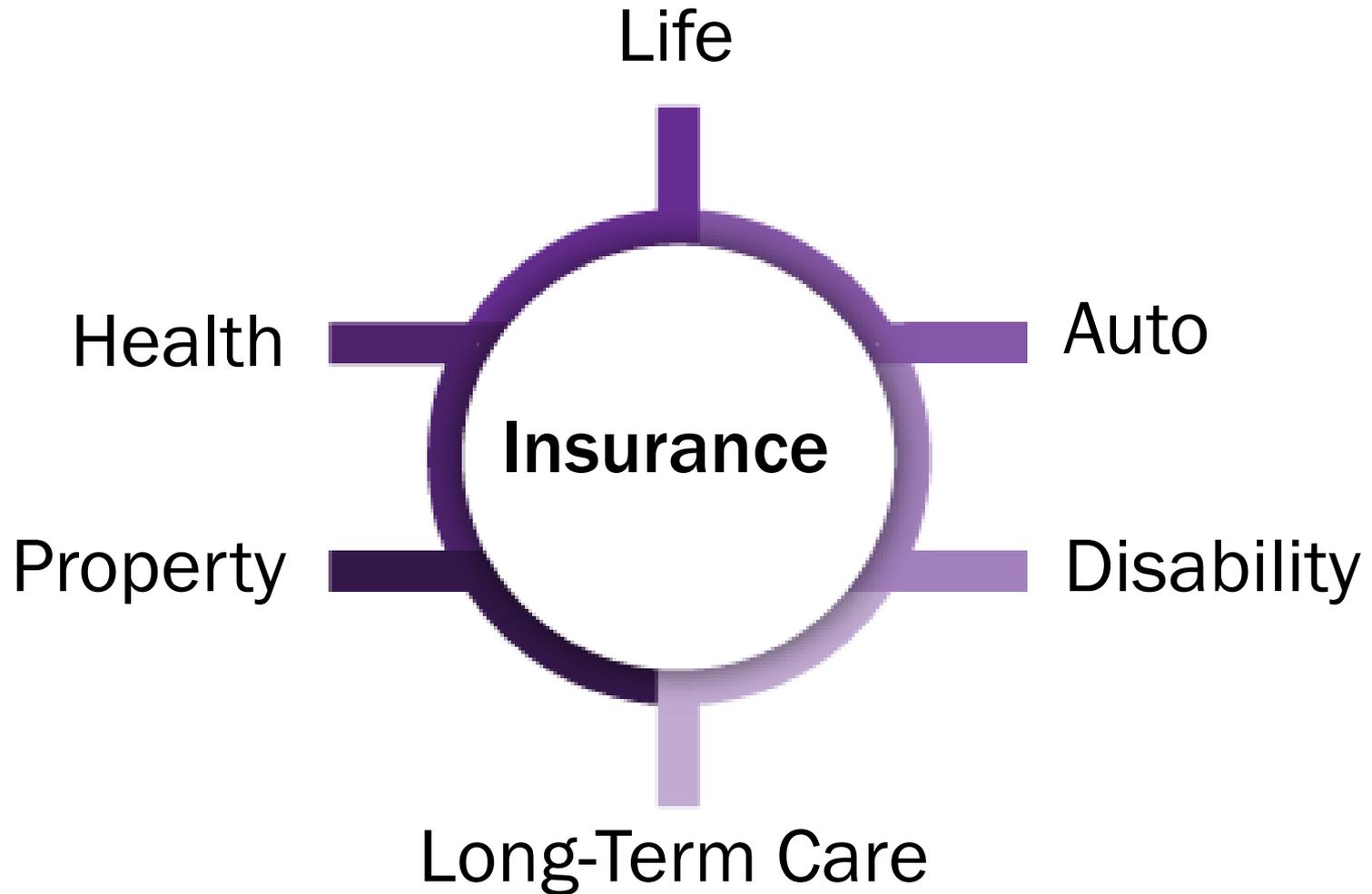
Secure = collateral



Unsecured = no collateral



Types of Insurance





Money Smart for Young People

Grades 9-12

What is Your Skill and Will?

“

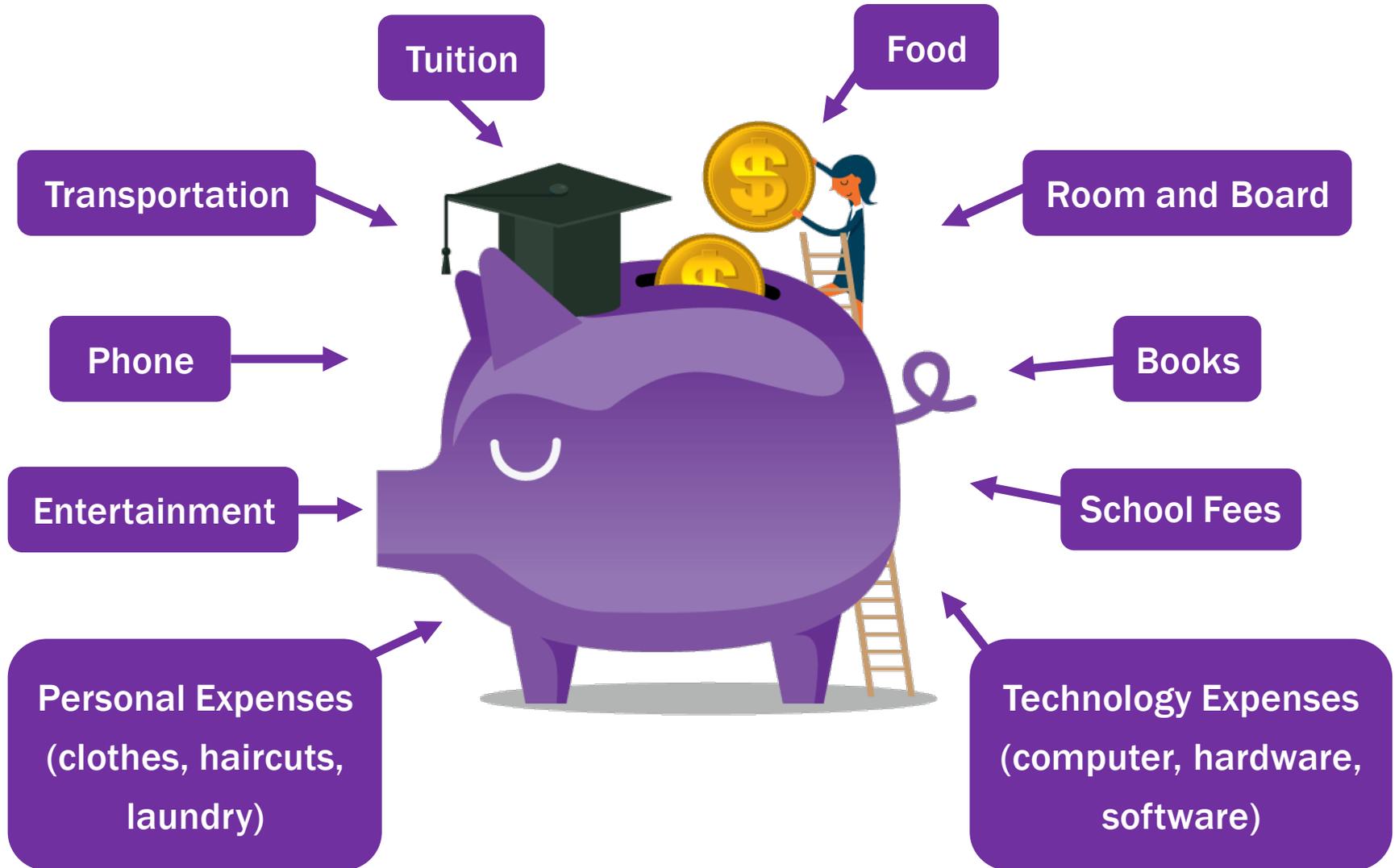
CHAMPIONS AREN'T MADE IN GYMS.

Champions are made from something they have deep inside them, *a desire, a dream, a vision*. They have to have the skill and the will. But the will must be stronger than the skill.”

—MUHAMMAD ALI



Cost of College



The Financial Aid Process

PREPARATION

Scholarships and state aid can help cover the cost of college or career school, but you may find yourself in need of federal assistance.



START

Begin saving early.

SAVINGS



Many states have college funding programs. Ask a guidance counselor or your college financial aid office for more information.

STATE AID

SCHOLARSHIPS



Look for scholarships through your state or college as well as national and community organizations.

It's time to apply for financial aid.

Source: <https://www.studentaid.ed.gov/sites/default/files/financial-aid-process.png>

The Financial Aid Process

(CONTINUED)

FAFSA

The FAFSA is the *Free Application for Federal Student Aid* and is the only way to apply for federal student aid. The schools you list on your application will use FAFSA information to evaluate your financial need and determine how much federal aid you are eligible to receive. Many states and colleges also use information from your FAFSA to provide their own financial aid.



Each January, the FAFSA is available for the upcoming school year. It is best to fill it out as early as you can because some aid is first come, first served.

When you complete the FAFSA, you'll need to provide personal and tax information. If you've filed your taxes already, you may be able to automatically retrieve the information from the IRS. If you haven't, just estimate your tax information and update it later.



Complete the FAFSA online at www.fafsa.gov. Make sure to fill out and submit the FAFSA each year you are in college.



After you submit your FAFSA, you'll receive your *Student Aid Report* (SAR). Your SAR summarizes the information in your FAFSA. Review it and make corrections if needed.

Your FAFSA helps your school determine the types of federal student aid you are eligible to receive.

Source: <https://www.studentaid.ed.gov/sites/default/files/financial-aid-process.png>

The Financial Aid Process

(CONTINUED)

TYPES OF FEDERAL STUDENT AID

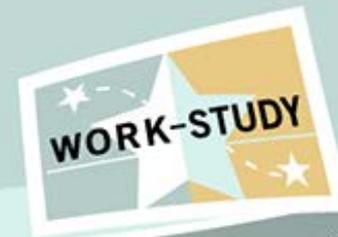
As the largest provider of financial aid, the U.S. Department of Education's office of Federal Student Aid provides grants, loans, and work-study funds.



Grants are free money that do not have to be repaid.



Student loans are real loans (like a car or home loan) that need to be repaid with interest.



A work-study job gives you the opportunity to earn money to help pay your educational expenses.

Source: <https://www.studentaid.ed.gov/sites/default/files/financial-aid-process.png>

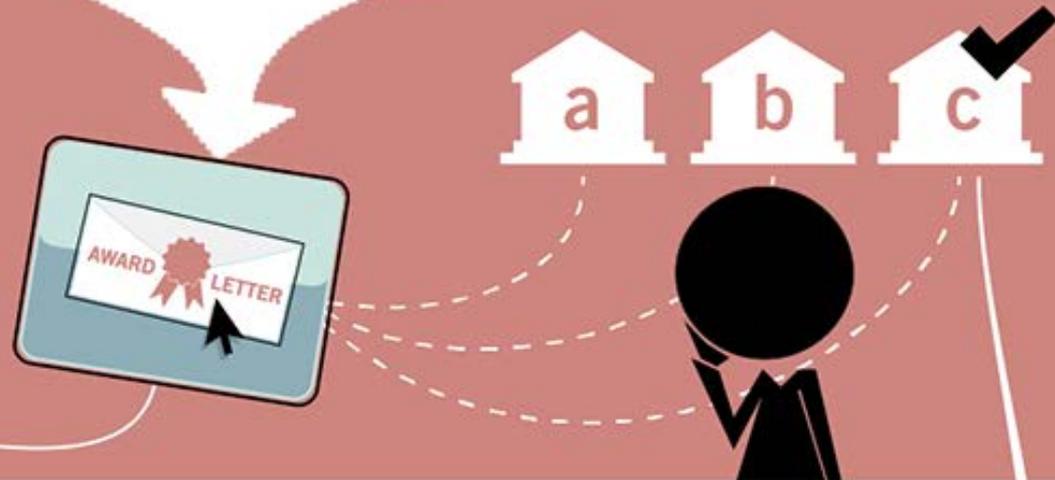
The Financial Aid Process

(CONTINUED)

7

AWARD

Your award letter explains the combination of federal grants, loans, and work-study a college is offering you. The offer might also contain state and institutional aid. If you receive award letters from multiple colleges or career schools, you should compare them and decide which school works best for you.



Source: <https://www.studentaid.ed.gov/sites/default/files/financial-aid-process.png>

The Financial Aid Process

(CONTINUED)

8

COLLEGE

Every year, millions of new students attend college or career school for the first time. Your college or career school has a financial aid office to help guide you along the way.



Source: <https://www.studentaid.ed.gov/sites/default/files/financial-aid-process.png>

The Financial Aid Process

(CONTINUED)

BEYOND EDUCATION

WORKFORCE

When you take the time to plan for your education and let Federal Student Aid help you along the way, you'll be setting the foundation for a bright future and success in the workforce.

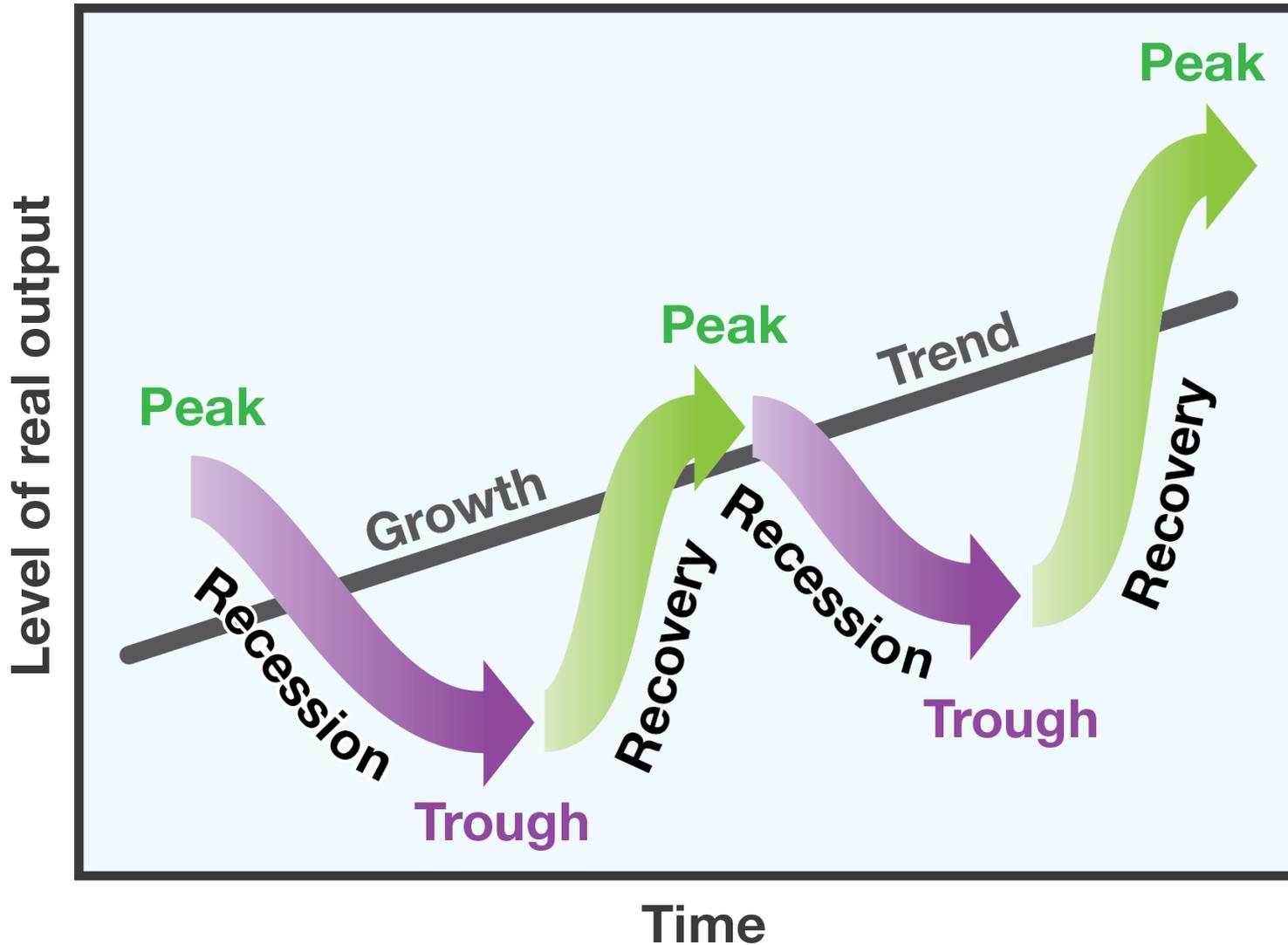
REPAYMENT

Once you leave school, you will need to repay your student loans. Contact your loan servicer to discuss your repayment options.



Source: <https://www.studentaid.ed.gov/sites/default/files/financial-aid-process.png>

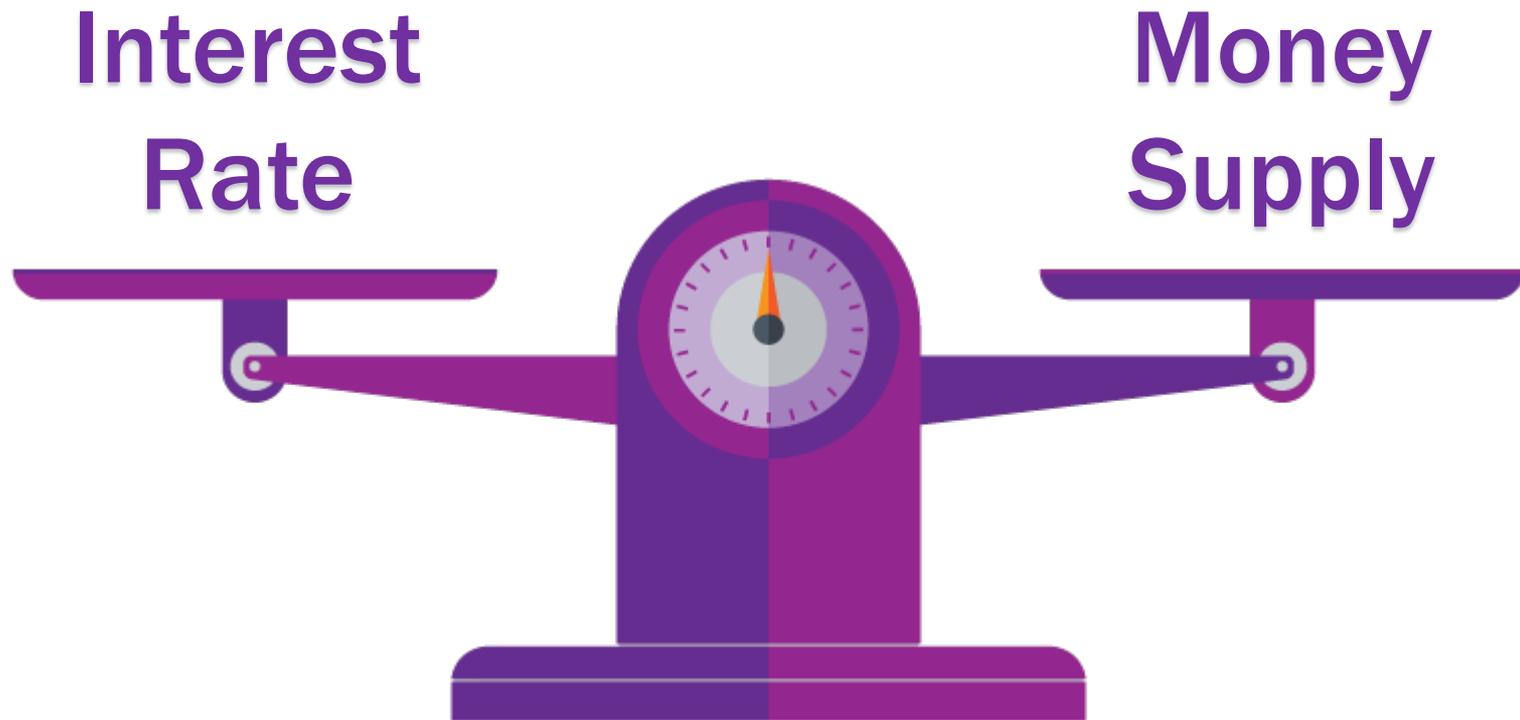
Economic Cycles



Fiscal Policy



Monetary Policy



INVESTMENT VEHICLES: Stocks

When you buy a **stock**, you own part of the company, called a **share**. When the company does well, you may receive **dividends** or a portion of the company's profits.



The value of your investment changes as the company's stock price changes. When you sell the stock, you may receive more or less money than what you paid for it.

INVESTMENT VEHICLES: Bonds

Bonds are loans to corporations or to the government for a set period of time, or a **term**. You earn interest on your investment, and bonds can be purchased for as little as \$25.

INVESTMENT VEHICLES: Mutual Funds

Mutual funds are offered by companies that combine money from many investors to purchase numerous separate investments (for example: some include a mix of stocks and bonds or even a mix of stocks of companies in several different countries). They may pay dividends and they may also gain or lose money over time.

By combining your money with the money of other investors, you can **diversify** even a small investment.

INVESTMENT VEHICLES: Diversification

Diversification means “do not put all of your eggs in one basket.” It spreads the risk of loss across many investment options.



INVESTMENT VEHICLES: Retirement Accounts

Individual Retirement Accounts (IRAs): IRAs are designed to help you save money for your retirement. Your contributions are generally tax-deductible. IRAs can include FDIC-insured deposit accounts offered by banks, and non-deposit investment accounts offered by investment firms that may include stocks or bonds.

Employer Retirement Accounts:

A **401(k)** plan is a retirement savings plan established by an employer that lets its employees set aside a percentage of their pay for retirement before taxes are taken out. This can help lower your tax bill.

A **403(b)** plan is a retirement savings plan for employees of public schools and certain tax-exempt organizations.

Investor Considerations

Risk Tolerance: willingness to lose some or all of an investment in exchange for greater potential returns

Diversification: spreading your assets across multiple investments

Asset Allocation: the distribution of assets among investments to balance risk and reward

Rate of Return: the percentage of money earned or lost on investments

Money Grows

If you start with a \$100 principal and add \$200 to your retirement account each month, how much can you save by the time you are 65?

If you start at age 25...

Principal	\$100.00
Monthly Contributions	\$200.00
Years to Grow	40
Interest Rate (compounded annually)	7%
TOTAL	\$480,621.71

If you start at age 45...

Principal	\$100.00
Monthly Contributions	\$200.00
Years to Grow	20
Interest Rate (compounded annually)	7%
TOTAL	\$98,776.15

Would you rather have less than \$100,000 or almost half a million dollars?!

RETIREMENT VEHICLES: Where to Save?*

[note: edits are based on 2018 limitations]

Roth Individual Retirement Account (Roth IRA)

- You open the account
- Can contribute up to \$5,500 annually
- Not tax-deductible
- No employer match
- After-tax contributions (you do not pay taxes on the money when it is withdrawn)

Traditional Individual Retirement Account (Traditional IRA)

- You open the account
- Can contribute up to \$5,500 annually
- Tax-deductible
- No employer match
- Pre-tax contributions (you are not taxed until the money is withdrawn)

401(k)

- Your company offers the account
- Can contribute up to \$18,500 annually
- Tax-deductible
- Possible employer match
- Pre-tax contributions (you are not taxed until the money is withdrawn)

403 (b)

- If you work at a public school or a tax-exempt organization, your school or organization offers the account
- Tax-deductible
- Can contribute up to \$18,500 annually
- Possible employer match
- Pre-tax contributions (you are not taxed until the money is withdrawn)

*Contribution limits based on 2014

RETIREMENT VEHICLES:

Where to Save if Self-Employed?*

[note: edits are based on 2018 limitations]

Simplified Employee Pension Individual Retirement Account

(SEP IRA)

- You open the account. It functions as a traditional IRA for self-employed, like single-member businesses or freelance income
- Contributions are made by the employer, not employees
- Can contribute up to 25% (limit \$55,000) of net income
- Contributions are tax-deductible for your business
- Pre-tax contributions (you are not taxed until the money is withdrawn)

Simple Individual Retirement Account (Simple IRA)

- Acts like a traditional IRA for small businesses that may have employees
- Contributions may be made by employees, but employers are required to contribute on behalf of employees
- Employee can contribute a percentage of salary up to \$12,500
- Employers must contribute 2% or a 1-to-1 match up to 3%
- Contributions are tax-deductible for the business
- Pre-tax contributions (you are not taxed until the money is withdrawn)

*Contribution limits based on 2014

Pros & Cons of Renting



- Not responsible for property maintenance
- Generally, under a rental contract, or lease, for one year or less, creating greater flexibility to move
- You don't have costs associated with homeownership, like property taxes and homeowner's insurance. You may, however, have renter's insurance.



- You are not the owner of the home
- Your rent might increase over time
- You might not always be able to renew your lease
- You will not receive a federal tax deduction for rent payments, but when you own a home, mortgage interest is tax-deductible

Pros & Cons of Buying



- You may build equity, which is the value of your home minus the debt you owe on it
- Once you pay the mortgage in full, you own the home!
- Your income tax may be reduced, because mortgage interest and property taxes are generally tax deductible



- You will have to purchase homeowner's insurance and possibly other insurance such as flood insurance
- Buying a home requires more cash up front for a down payment
- You may need to purchase additional insurance, such as that covering earthquakes or floods
- It is not as easy to move when you own a home
- You may have to pay monthly condominium or homeowner association fees. These vary considerably, but generally cover expenses such as the maintenance of common areas in your community.

Renting Costs



MOVING-IN COSTS

- security deposit
- fees (credit report fees, pet fees)
- connecting utilities
- first month's rent



MONTHLY COSTS

- rent
- utilities
- renter's insurance (optional)
- fees (parking, pet fees, storage)

Buying Costs

A **mortgage** is a loan, provided by a financial institution, to buy a house or condo. Most first-time home buyers obtain a mortgage to help finance the home.



- interest
- repayment of principal
- insurance
- taxes

Housing Challenge 1

Jay is moving out on his own next month. He found a great apartment for \$695 a month. His total net income is \$1,590 and his current expenses, between his SUV, food, entertainment, and cell phone are about \$950 each month, give or take \$100.

Jay is signing the lease on the dotted line today. Is his choice wise?



Housing Challenge 2

Rionna graduated from college several years ago, and her career as a graphic designer is going well. She works for one of the largest design firms in her area. Since she has started working, she has always rented a studio apartment to save on costs but now she is ready for more space. She has been working with a homeownership counselor, and she decided to buy next year when she will have saved up enough money to put a 10% down payment on the home.

Rionna will buy a house next year. Is her choice wise?



Housing Challenge 3

Mason has a steady job as a law clerk, but is living with his parents at home to save money while he prepares to buy a house. He has been approved for a \$200,000 mortgage. If he decides to borrow the full amount, his monthly mortgage payments would be \$1,300. Mason earns \$2,800 net pay each month and his expenses include credit card payments (\$500), groceries and eating out (\$300), entertainment (\$200), truck payment (\$250), and cell phone (\$75).

Mason finds a home he likes for \$195,000 and decides to put in a full-price offer. Is his choice wise?



Spend, Save, Give



Spend

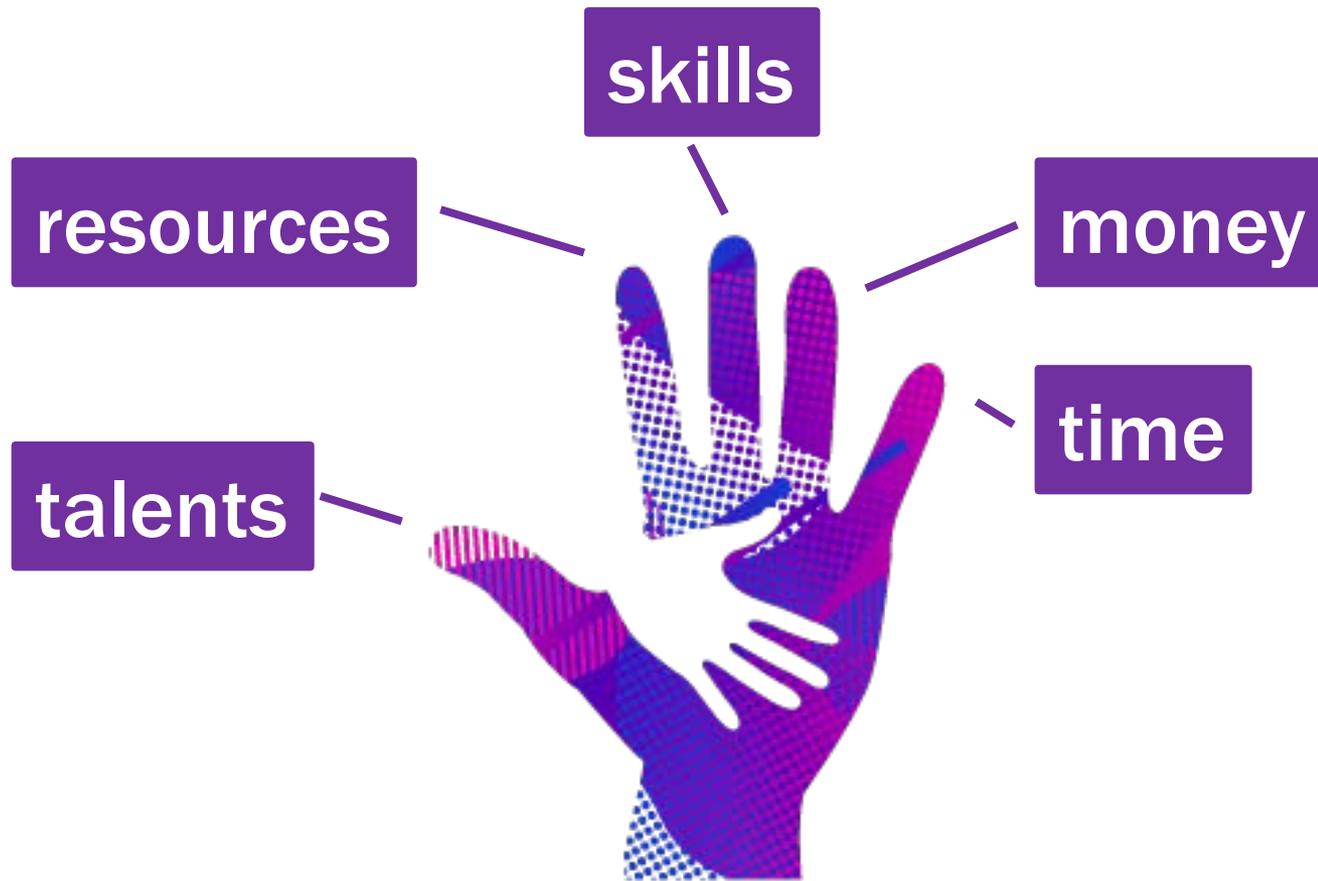


Save

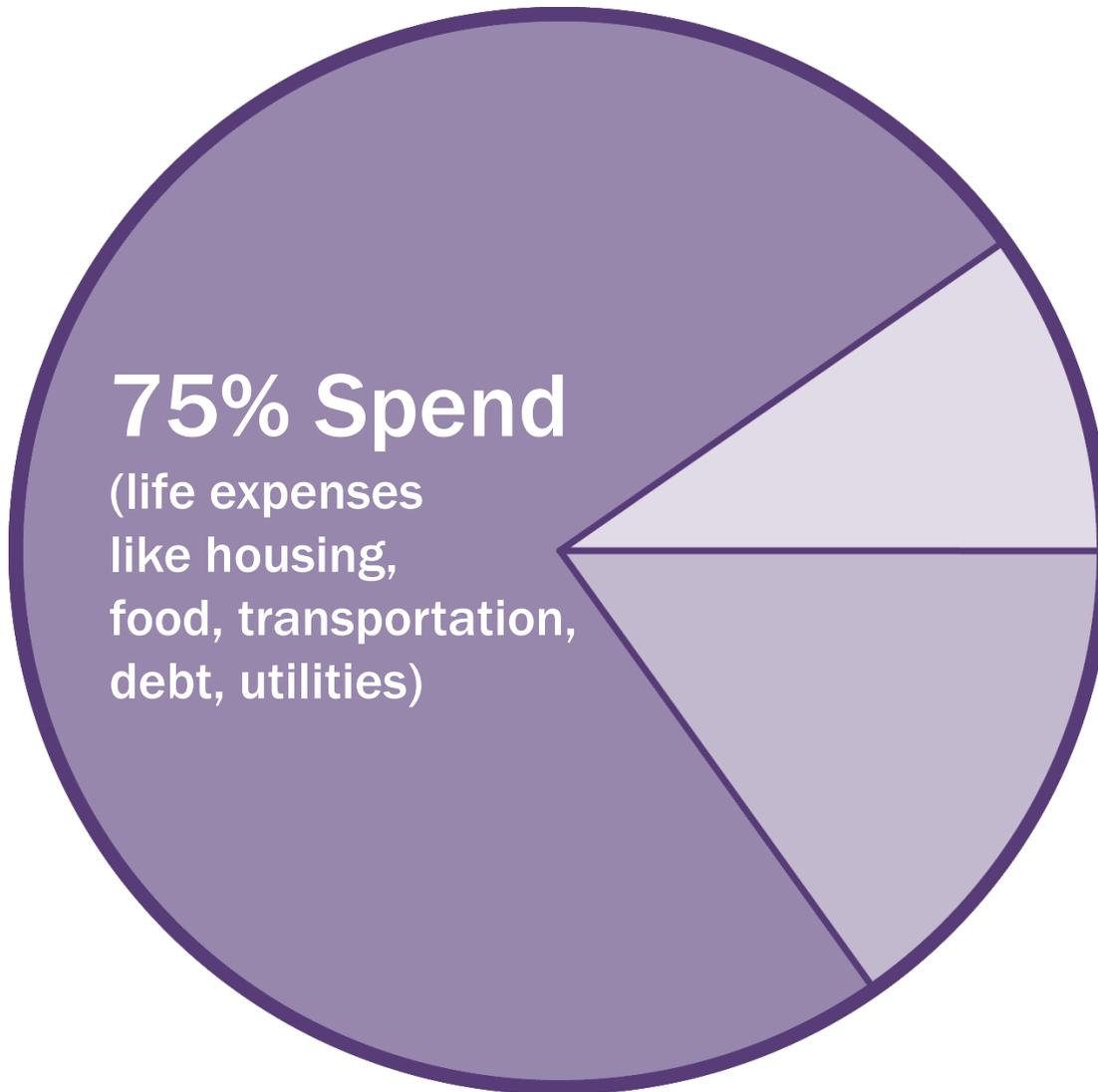


Give

Philanthropy



BUDGET: Spend, Save, Give



10% Give

(donations to support the common good)

15% Save

(personal savings and investing)

Money Marooned

Your family is here



You are here



What would you do?

ESTATE PLANNING: Trusts & Wills

Will: legal document that you create outlining your last wishes

Trust: legal document used to transfer your property with the ability to set stipulations and conditions before an heir receives your assets (such as a minor child turning 18 before he or she inherits property)



ESTATE PLANNING: Power of Attorney

Power of Attorney: when you grant permission to someone to handle your affairs if you are unable to do so yourself

ESTATE PLANNING: Example of Titles

Tenancy in Common

- Shared ownership of a property
- Ex. five people each holding title to one property (does not have to be equal shares)



Joint Tenancy

- Shared ownership of a property with equal shares
- If one owner dies, the other owner(s) have Right of Survivorship, meaning the share of the property is transferred to them

Tenancy in Entirety

- Shared ownership of a property between a husband and wife
- A surviving spouse has Right of Survivorship and becomes the sole owner

ESTATE PLANNING: Life Insurance

Life Insurance: provides financial security to your family in the event of death by paying money to a beneficiary



Credibility 1



Credibility 2



Identity Theft

There is only one of you...
or is there?



What Do Thieves Do With Your Information?

- Get into your bank accounts and steal your money
- Use your name to open up credit cards and run up the bills
- Set up utilities and rental agreements using your name
- Take out a loan in your name
- They may even try to use your health insurance!

TYPES OF IDENTITY THEFT: Phishing

Phishing is when criminals:

- Send out unsolicited, or spam, e-mails that appear to be from a legitimate source: perhaps from your bank, school, well-known merchants, your Internet service provider, or even a trusted government agency (e.g., the FDIC)
- Attempt to trick you into divulging personal information

TYPES OF IDENTITY THEFT: Pharming

- Criminals seek to obtain personal or private information by making fake websites appear legitimate
- Your browser will even show that you are at the correct website
- This makes pharming more difficult to detect than phishing

TYPES OF IDENTITY THEFT: Text Message Spam

- Similar to e-mail spam, but on your cell phone
- Criminals often text offers of free gifts or low-cost credit offers with a link
- Clicking the link can install malware on your phone, which is how your personal information is captured

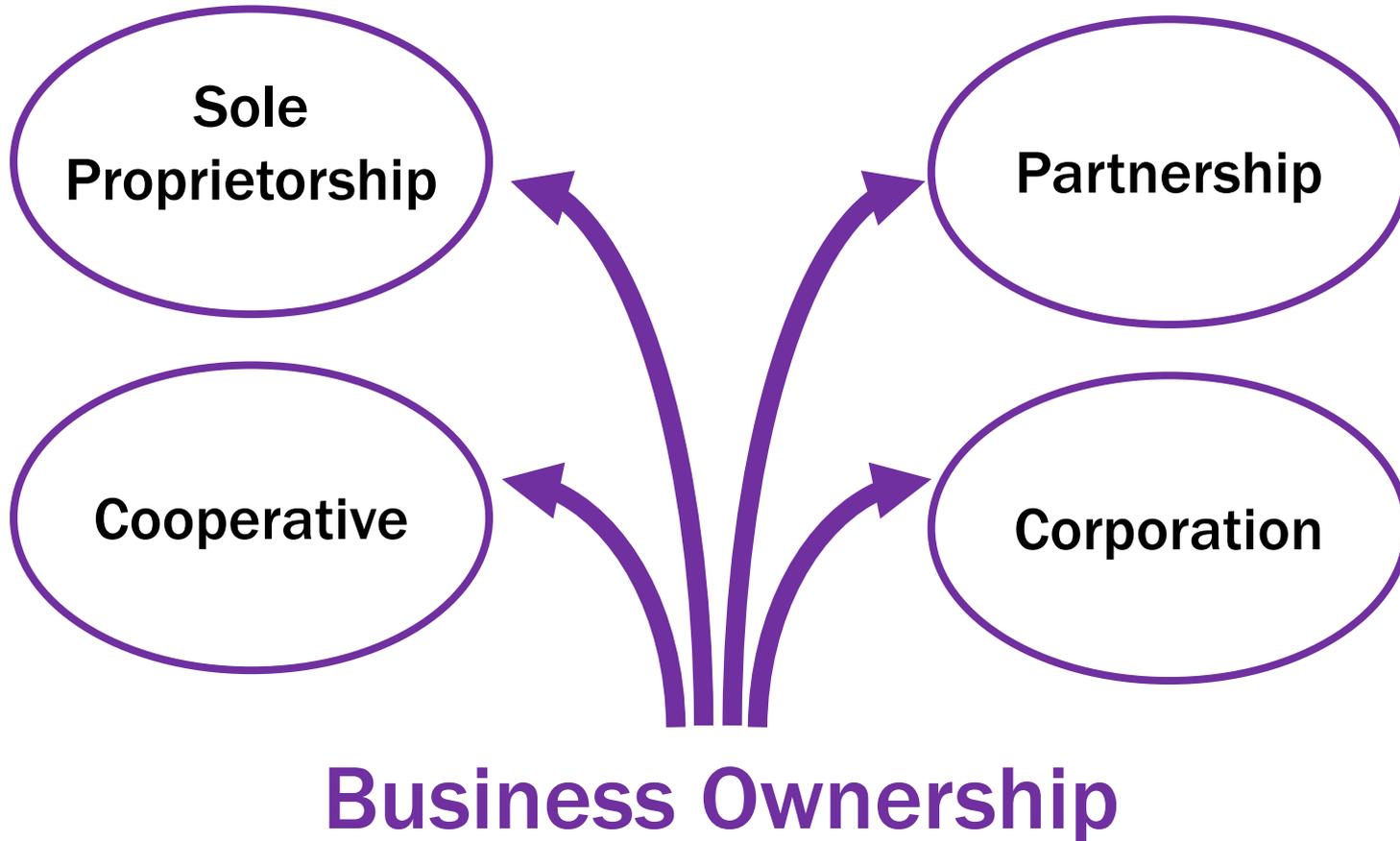


Job Scams

- Promise work, but usually ask you to pay for training or services
- They never deliver the promised employment
- They often advertise on real job websites, so it can be hard to tell them apart from true employment opportunities

**Earn \$500 per week GUARANTEED!
Sign up today and get started!**

Business Type



BUSINESS BUDGETING: Financial Statements

Profit and Loss Statement: includes revenues, expenses, and costs incurred by a business during a set period of time.

Balance Sheet: shows a company's liabilities, owner's equity, and assets at a set point in time.

Cash Flow Statement: tracks money coming in and going out of the business.

Start-Up Capital

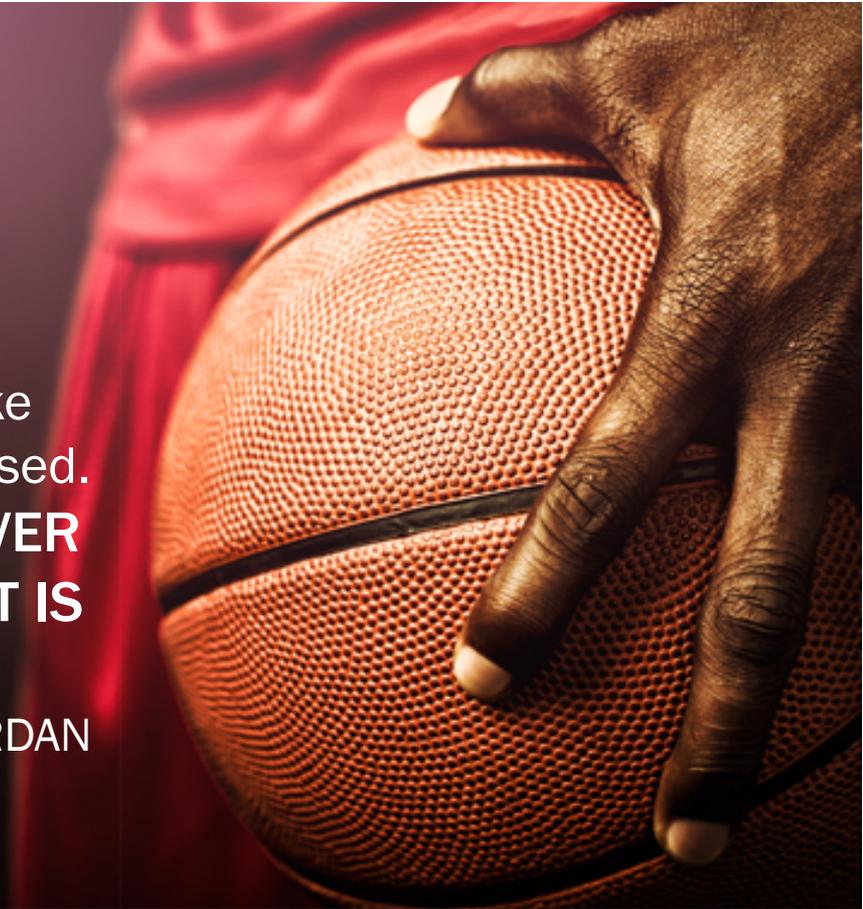


Failure = Fuel to Success

“

I have taken more than 9,000 shots in my career. I have lost almost 300 games. Twenty-six times I have been trusted to take the game winning shot and missed. **I HAVE FAILED OVER AND OVER AGAIN IN MY LIFE; AND THAT IS WHY I SUCCEEDED.**

— MICHAEL JORDAN



Tax Requirements

Income Tax (federal, state, city)

Self-Employment Tax

Employment Taxes

Business Insurance

Liability Insurance: general, professional

Home-Based Business Insurance

Commercial Property Insurance

Required Insurance:

Worker's Compensation,
Unemployment Insurance Tax,
and Disability Insurance



Business Management

