Money, Credit, & Retirement

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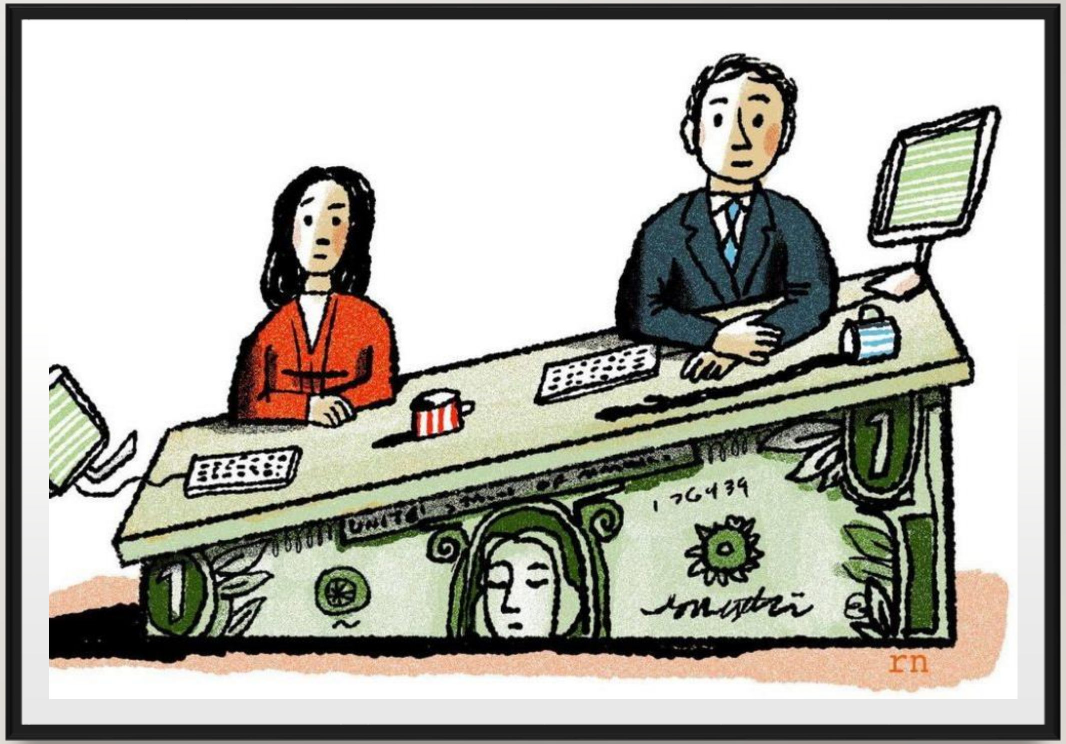
MONEY

- Income- The agreed upon amount of money given to a worker for a set time period.
- Wages-payment is based on work efficiency/work done hourly/daily. Jobs are generally considered lower quality than salary jobs and lower on the economical hierarchy, with exceptions
- Salary-amount is usually based on position and tenure and is based on a set yearly amount, with a monthly payment 1/12 of the set yearly amount, excluding bonuses.

MONEY

- Wage Gap
  - The national average for the United States it 88%
    - Women make approximately 88% the income of men.
    - For every $1 that a man makes, a woman makes 88 cents.
    - http://www.aauw.org/research/the-simple-truth-about-the-gender-pay-gap/



MONEY

- Budgeting
  - Create a spending plan based on personal income.
  - Prioritization is key.
  - Major bills first: lights, water, rent/house payment, gas(if applicable), car note/insurance
  - Secondary bills next: phone, cable, internet, subscriptions(Netflix, Amazon Prime, magazine, etc.)

MONEY

- Budgeting (cont)
  - Design a meal plan and follow it in order to maintain an accurate budget.
  - Put a set amount of money into a savings account every pay period and don't touch it unless

    in an emergency.
  - Luxury spending comes last and only if there is an excess of money after all bills are paid.
    - Examples of luxury spending are: video games and movies, brand new electronics, brand name clothes, joy rides(wasting gas), and vacations
  - Consult older people if you are unsure about what to prioritize.

MONEY

- Stocks and Bonds/Invesments
  - Smart investments should start early in life
  - Stocks are high risk, but can result in high reward.
  - Bonds are low risk, low reward
  - Both are long-term investments and should be started as early as possible in order to

    maximize end result.
- Start planning for retirement early, making smart investments and

  making the best of good budgeting. (Exceptions for emergencies)

CREDIT

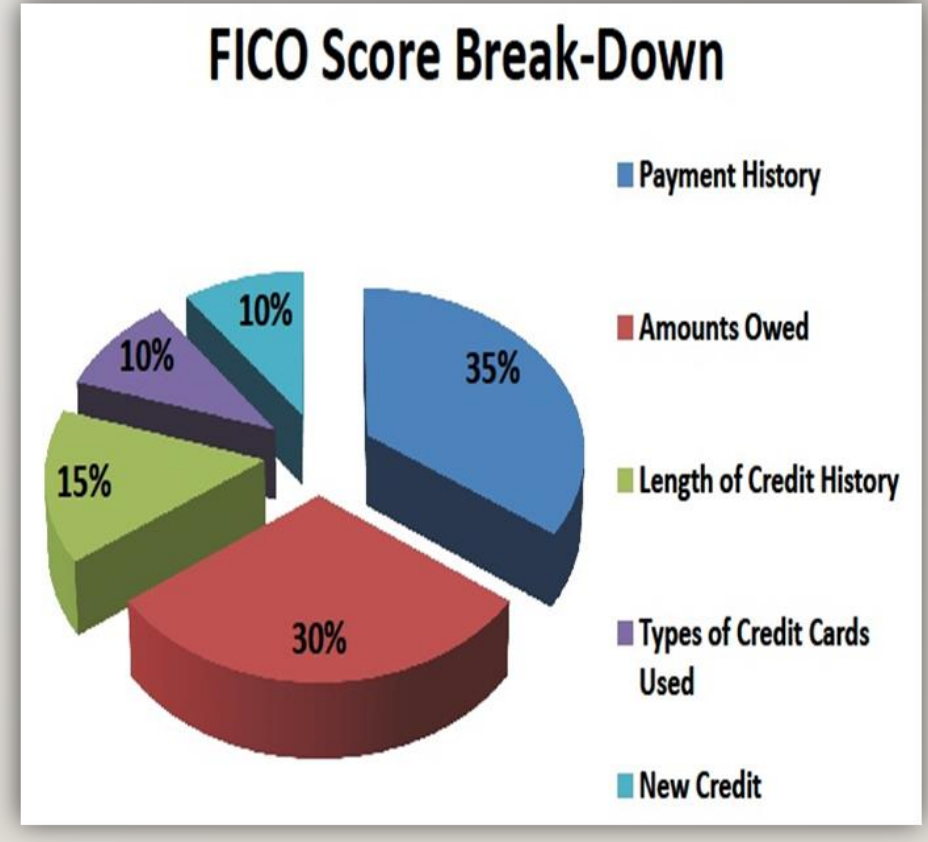
Step 1: FICO SCORE

The idea behind a FICO credit score is that an individual's score should reflect what predictive analysis suggests about the individual's future financial behavior, similar to how the ACT will reflect how well a student will do in college. Credit scores are meant to help lenders predict borrower positive and negative behavior such as how likely that borrower is to pay their bills on time.

Not everybody has a credit history: If you’ve never applied for or used credit, you won’t have a credit history maintained by the three credit bureaus. Without a credit history, you also won’t have a FICO credit score

WHAT FICO LOOKS FOR:

- Payment history (35%)-- Your account payment information, including any delinquencies and public records.
- •Amounts owed (30%)-- How much you owe on your accounts. The amount of available credit you're using on revolving accounts is heavily weighted.
- •Length of credit history (15%)-- How long ago you opened accounts and time since account activity.
- •Types of credit used (10%)-- The mix of accounts you have, such as revolving and installment.
- •New credit (10%)-- Your pursuit of new credit, including credit inquiries and number of recently opened accounts.

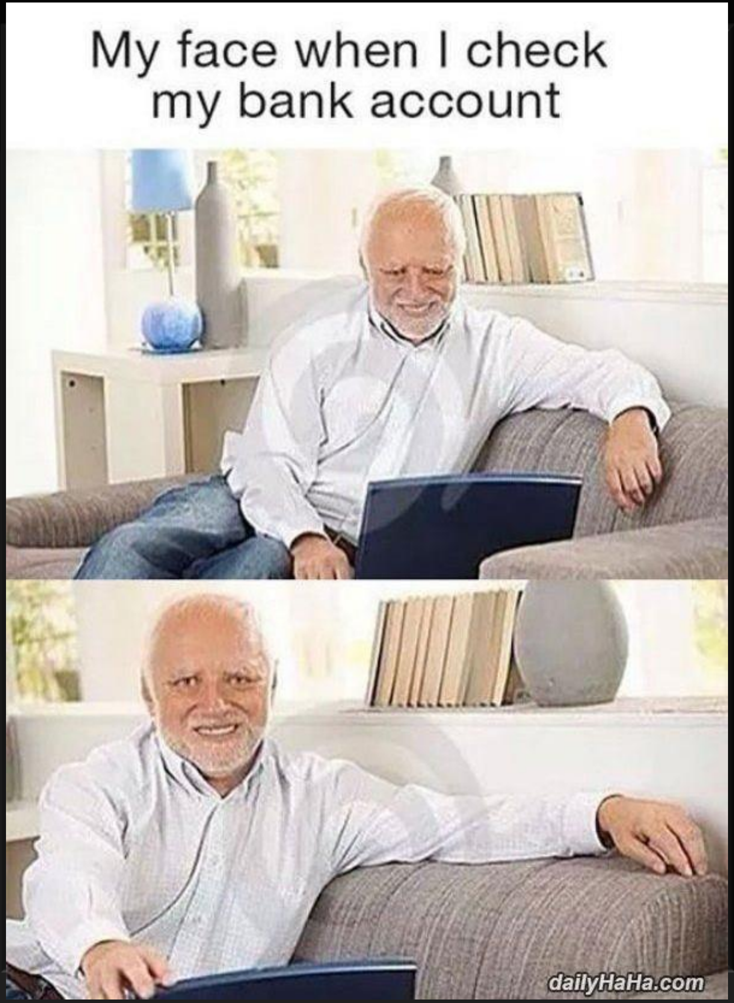


STEP 2: BANK ACCOUNTS

- **Savings Account:** True to its name, this type of account is meant for saving money. You can withdraw(six times a month) and deposit, but not write checks. They usually pay an interest rate that's higher than a checking account, but lower than a money market account or CD. Some savings accounts charge a fee if your balance falls below a specified minimum.
- **Basic Checking Account:** The most familiar to us all. No minimum balance requirement. You'll be able to perform basic functions, such as check writing. Typically, they do not charge interest on these accounts.
- **Interest-Bearing Checking Account:** offers a more comprehensive set of services, but usually at a higher cost. Unlike a basic checking account, you are usually able to write an unlimited number of checks. Checking accounts which pay interest are sometimes referred to as negotiable order of withdrawal (NOW) accounts. The interest rate often depends on how large the balance in the account is, and most charge a monthly service fee if your balance falls below a preset level.

BANK ACCOUNTS CONTINUED…

- **Money Market Deposit Accounts:** The rates they offer tend to be slightly higher than a checking account, but they usually require a higher minimum balance to start earning interest. These accounts provide only limited check writing privileges (three transfers by check, and six total transfers, per month), and often impose a service fee if your balance falls below a certain level.
- **Certificates of Deposit:** Agreeing to keep the money in the account for a specified amount of time, anywhere from three months to six years. This money will be inaccessible, so the interest rate is much higher, with the rate increasing as the duration increases. There is a substantial penalty for early withdrawal.



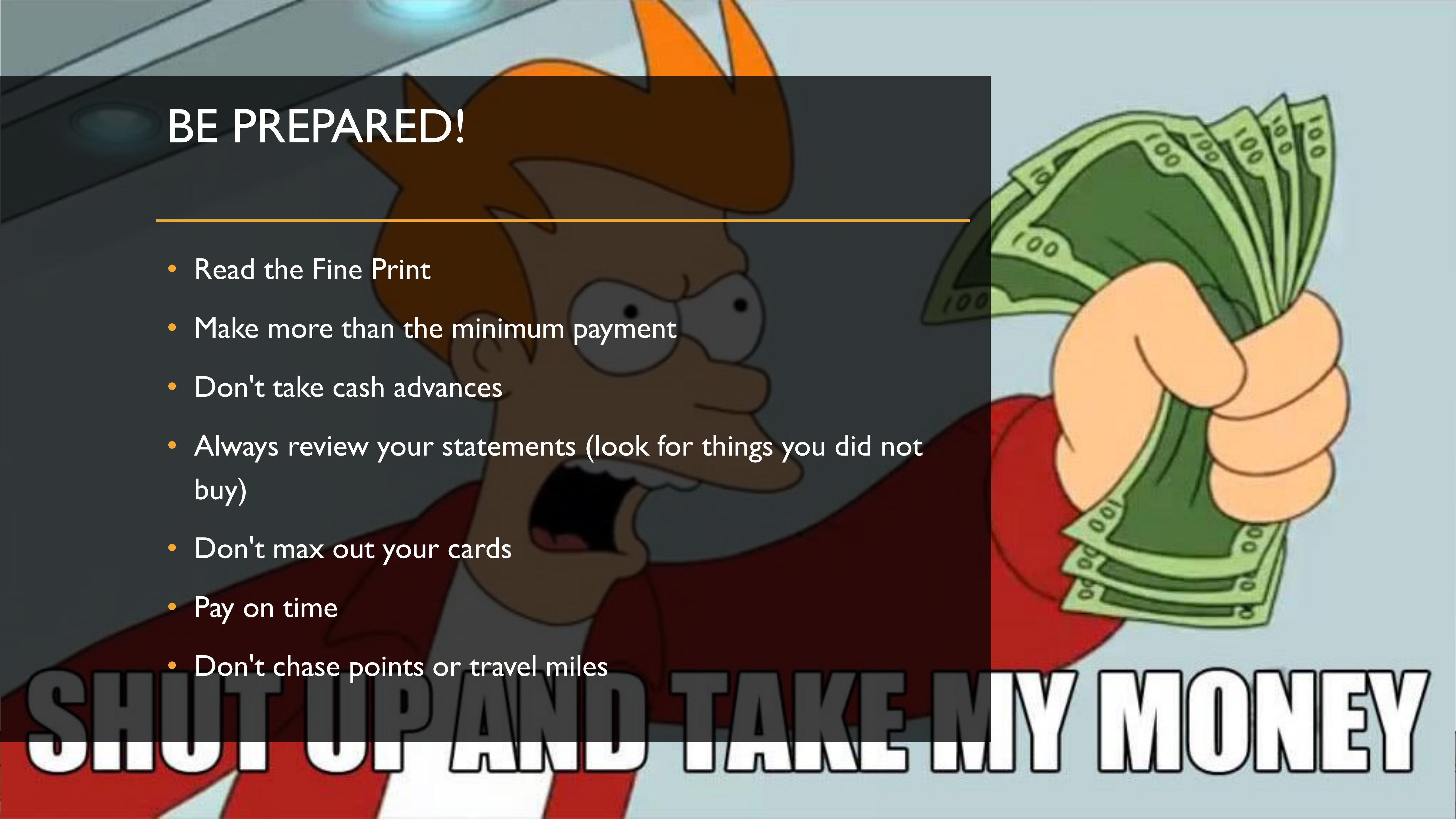
CREDIT CARD DOWNFALLS

QUESTIONS:

- Is it accepted at the retailers you frequent?
- Does it have an annual fee? Any fee that is charged on an yearly basis. The most common, credit card companies charge to their credit card holders, simply for having the credit card.
- What's the APR(annual percentage rate)? A fee for using a credit card. It’s the interest rate on how much you used it. Typically, only used for loans and big purchases (i.e. cars, house, etc.)

BE PREPARED!

- Read the Fine Print
- Make more than the minimum payment
- Don't take cash advances
- Always review your statements (look for things you did not buy)
- Don't max out your cards
- Pay on time
- Don't chase points or travel miles

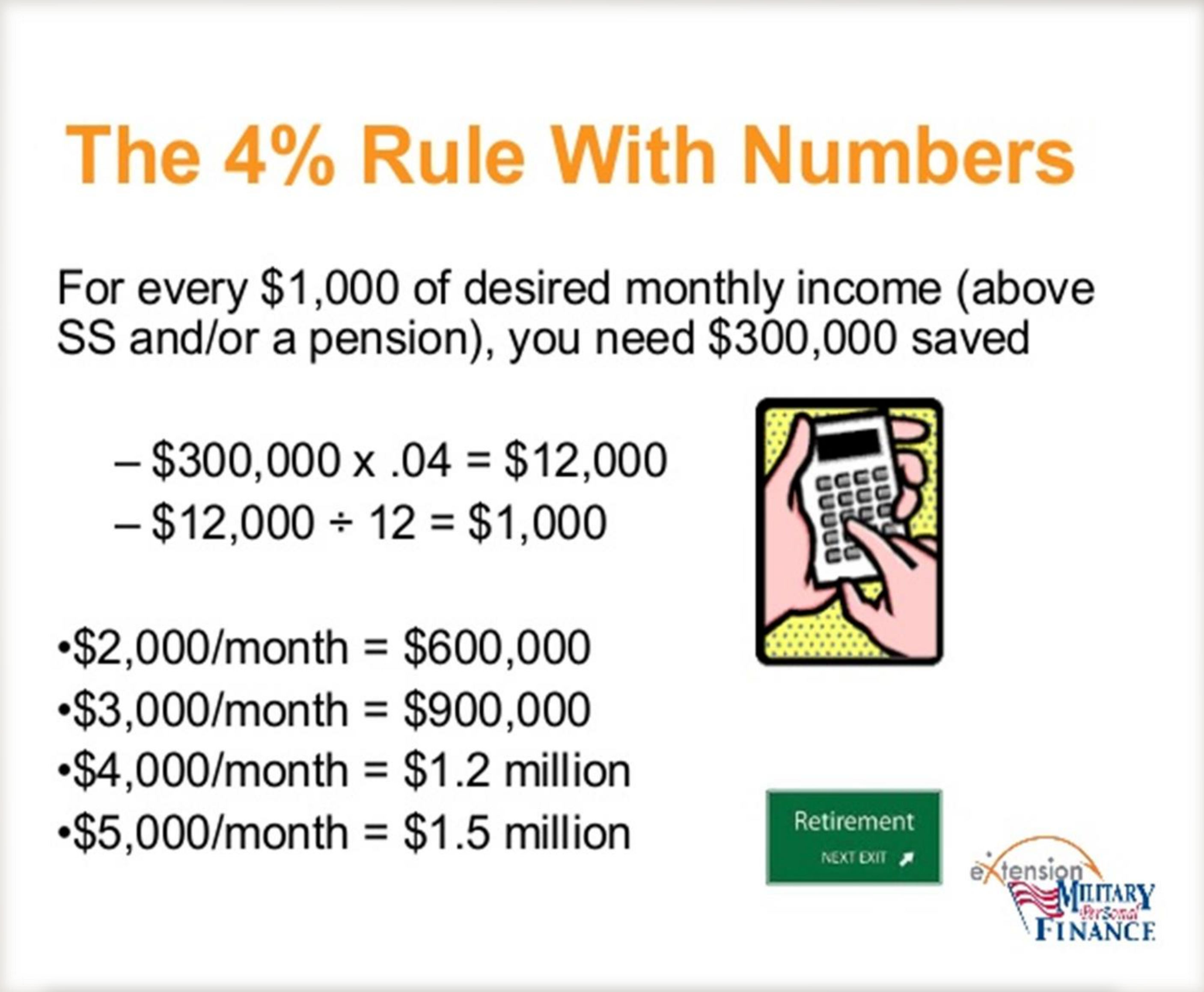


RETIREMENT

- The action or fact of leaving one's job and ceasing to work.
- Ways to help with retirement: 4% rule, 401k, 403b, IRA, etc.
- Investment: stocks, bonds, cash.

4 PERCENT RULE

- on your first year of retirement you will want to withdraw 4% of your retirement money. If you retire with $700,000 in your retirement fund, on your first year you should withdraw $28,000.
- Adjust with inflation.



401K

- Payroll deductions- most companies will have 401k contributions taken automatically out of your payroll.
- Tax deferred- the contribution is taken out before taxes.
- You can choose how much you are able to save and your employer can choose a matching percentage to help you save quicker.
- Does not affect social security
- Funds are 100% safe. So if the company goes bankrupt the money that was paid into the plan cannot be taken back.

403B

- 403B is for employees of certain public education organizations, non-profit employers and cooperative hospital service organizations
- Tax deferral
- Comes out of paycheck
- As of 2016 there is a contribution limit of $18,000 per year.

INDIVIDUAL RETIREMENT ACCOUNT (IRA)

- Contributions with money from tax return
- Tax deferred
- Does not come out of check

INVESTMENT OPTIONS

- Stocks: a share of ownership in a company
- Bonds: fixed rate of interest over a period of time
- Cash: personal savings'
- https://www.youtube.com/watch?v=hjuMIolaKo4

THREE LEGGED STOOL OF RETIREMENT

- Employer pension- requires an employer to make contributions in a pool of funds set aside for a worker's future benefit. Earnings on investments generate income until retirement
- Employee savings- employer allows employees to set aside a portion of pretax wages for retirement savings or other long-term goals
- Social security- a program you pay for with your taxes that eventually comes back to you in a check once you file for retirement.

SOURCES

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