

# THE BASICS OF PERSONAL FINANCE

**Savings, Debt, & Investing**



# WHAT WILL BE COVERED:



- Banking
- Saving Strategy
- Debt Management
- Importance of Investing
- Types of Investments & Accounts
- Importance of Long Term Investing
- Personal Finance Tips!

# HOW TO ORGANIZE MY BANKING?



**What accounts do  
you need?**

**What's the best  
way to organize  
them?**

# TYPES OF BANK ACCOUNTS

## Checkings Account

Allows you to make deposits and withdrawals. May earn little interest

## Savings Account

Allows you to make a deposit with cash and earn interest rather than pay bills.

## Credit Card

Funds that allows you to borrow, build credit, and offer rewards. These are high interest loans.

## Debit Card

Funds that are deducted from your checking account. Prevents borrowing, but doesn't help with credit score.

# HOW TO EASILY ORGANIZE YOUR INCOME

## Needs

These are your expenses that you need to survive or know as essential expenses.

Ex. Rent, Groceries, Utilities

## Wants

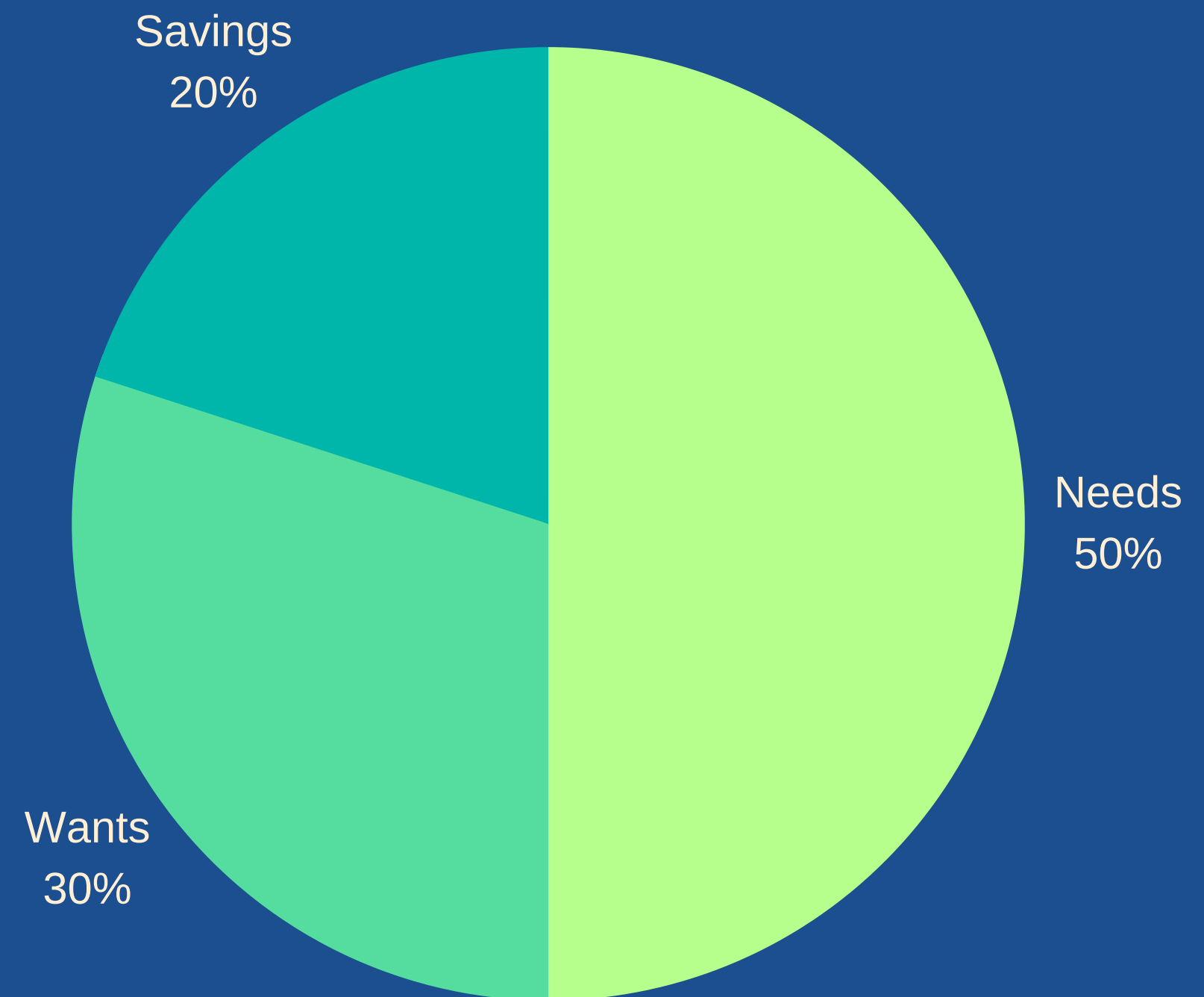
These are any other expenses that you can survive without also called discretionary expenses

Ex. Dining out, Entertainment

## Savings

This is used towards your financial goals for savings, debt repayment, and investing.

# THE 50/30/20 RULE



# PLANNED SHORT TERM FUNDS

## EMERGENCY FUND

This fund is for unexpected events such as an accident, job loss, medical bill, or more.

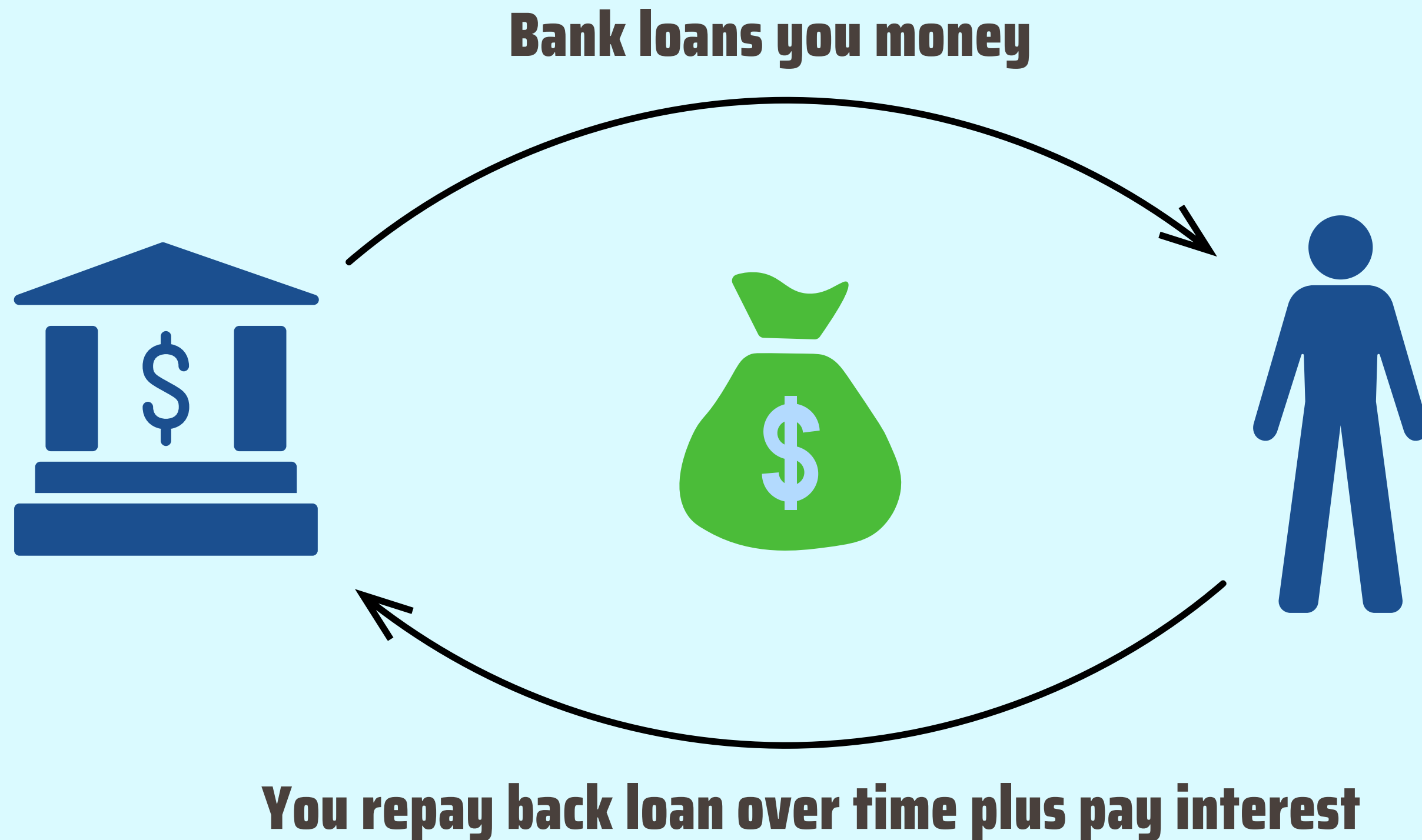
Typically rule of thumb is 3-6 months worth of expenses

## SINKING FUND

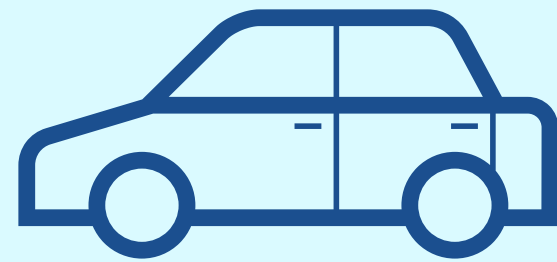
This fund is for planned events such as a vacation, car payment, down payment or more.

These are for expenses planned within less than 1-2 years.

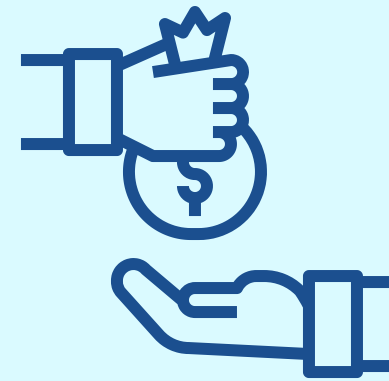
# WHAT IS DEBT?



# TYPES OF DEBT



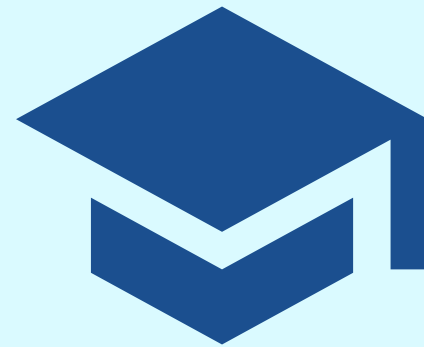
Auto Loan



Personal  
Loan



Mortgage



Student  
Loans



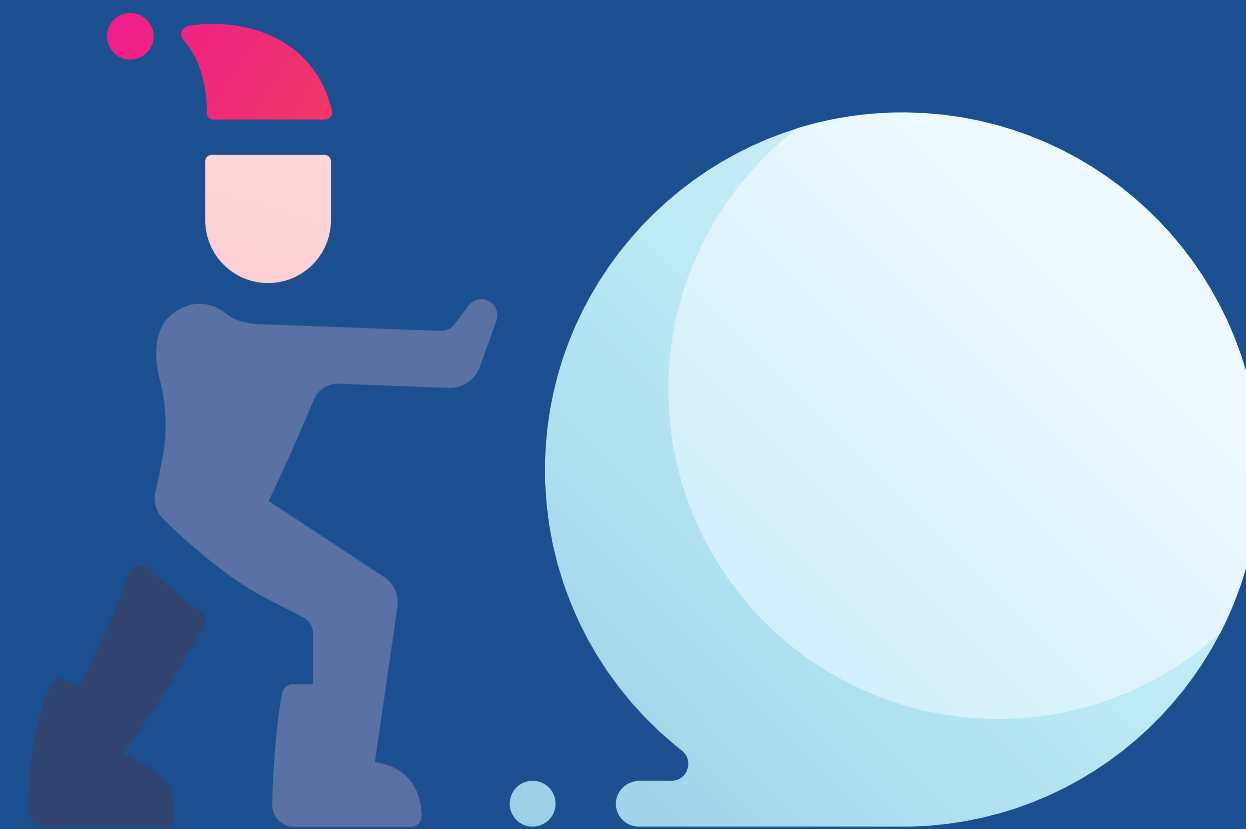
Credit Cards

**Debt allows you to borrow funds in return for interest**

**Debt = Loan = Liability**



# HOW TO PAY DOWN DEBT: SNOWBALL METHOD





DEBT	BALANCE	MIN. PAYMENT PER MONTH
DEBT #1	\$100	\$10
DEBT #2	\$200	\$20
DEBT #3	\$500	\$50
DEBT #4	\$1,000	\$100

	DEBT	BALANCE	MIN. PAYMENT PER MONTH	EXTRA PAYMENT PER MONTH
	DEBT #1	\$100	\$10	+\$10
	DEBT #2	\$200	\$20	
	DEBT #3	\$500	\$50	
	DEBT #4	\$1,000	\$100	

DEBT	BALANCE	MIN. PAYMENT PER MONTH	EXTRA PAYMENT PER MONTH
DEBT #1	\$0	\$0	\$0
DEBT #2	\$200	\$20	+\$20 (\$10 + \$10 FROM DEBT #1.)
DEBT #3	\$500	\$50	
DEBT #4	\$1,000	\$100	

	DEBT	BALANCE	MIN. PAYMENT PER MONTH	EXTRA PAYMENT PER MONTH
	DEBT #1	\$0	\$0	\$0
	DEBT #2	\$0	\$0	\$0
	DEBT #3	\$500	\$50	+\$40  (\$10 + \$10 FROM DEBT #1 + \$20 FROM DEBT #2)
	DEBT #4	\$1,000	\$100	

	DEBT	BALANCE	MIN. PAYMENT PER MONTH	EXTRA PAYMENT PER MONTH
	DEBT #1	\$0	\$0	\$0
	DEBT #2	\$0	\$0	\$0
	DEBT #3	\$0	\$0	\$0
	DEBT #4	\$1,000	\$100	<div>+\$90</div> <div>(\$10 + \$10 FROM DEBT #1 + \$20 FROM DEBT #2 + \$50 FROM DEBT #3)</div>

# WHY DO WE INVEST AND HOW DO WE START?



**Why build our  
money?**

**Knowing what's  
out there.**

# IT'S MORE THAN JUST ABOUT MAKING MONEY

- **Opportunity for Growth**  
The market has averaged 7%+ since 1920.
- **Rising Costs**  
Inflation has averaged 3.28% since 1960
- **Taxes**  
The single largest cost in your financial lifetime.
- **Creating Options**  
The end goal is giving you a choice with your future.



**WHICH WOULD YOU RATHER HAVE?**

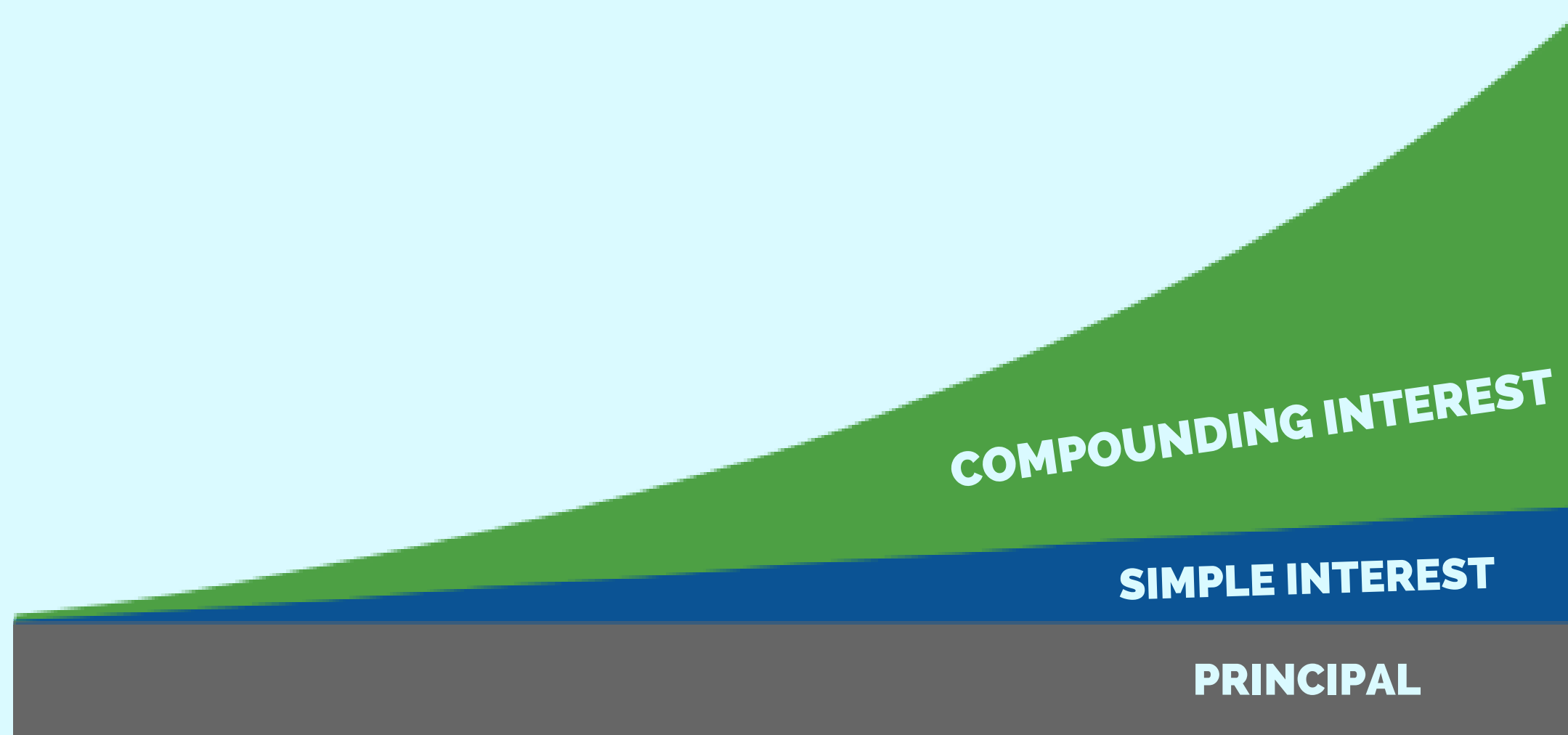
**\$1 Million**

**A Penny That  
Doubles for  
30 Days**

## Watch what happens to this penny over thirty days!

<b>Day 1</b>	<b>\$.01</b>	<b>Day 16</b>	<b>\$327.68</b>
<b>Day 2</b>	<b>\$.02</b>	<b>Day 17</b>	<b>\$655.36</b>
<b>Day 3</b>	<b>\$.04</b>	<b>Day 18</b>	<b>\$1,310.72</b>
<b>Day 4</b>	<b>\$.08</b>	<b>Day 19</b>	<b>\$2,621.44</b>
<b>Day 5</b>	<b>\$.16</b>	<b>Day 20</b>	<b>\$5,242.88</b>
<b>Day 6</b>	<b>\$.32</b>	<b>Day 21</b>	<b>\$10,485.76</b>
<b>Day 7</b>	<b>\$.64</b>	<b>Day 22</b>	<b>\$20,971.52</b>
<b>Day 8</b>	<b>\$1.28</b>	<b>Day 23</b>	<b>\$41, 943.04</b>
<b>Day 9</b>	<b>\$2.56</b>	<b>Day 24</b>	<b>\$83,886.08</b>
<b>Day 10</b>	<b>\$5.12</b>	<b>Day 25</b>	<b>\$167,772.16</b>
<b>Day 11</b>	<b>\$10.24</b>	<b>Day 26</b>	<b>\$335,544.32</b>
<b>Day 12</b>	<b>\$20.48</b>	<b>Day 27</b>	<b>\$671,088.64</b>
<b>Day 13</b>	<b>\$40.96</b>	<b>Day 28</b>	<b>\$1,342,177.28</b>
<b>Day 14</b>	<b>\$81.92</b>	<b>Day 29</b>	<b>\$2,684,354.56</b>
<b>Day 15</b>	<b>\$163.84</b>	<b>Day 30</b>	<b>\$5,368,709.12</b>

# COMPOUND INTEREST



- Interest earned on money that was previously earned as interest
- Great for investments and savings, but bad for loans taken out

**"COMPOUND INTEREST IS THE EIGHTH WONDER OF THE WORLD. HE WHO UNDERSTANDS IT, EARNS IT; HE WHO DOESN'T, PAYS IT"**

**-ALBERT EINSTEIN**

# INVESTMENTS TO START WITH

## Individual Stocks

Ownership of a single company. This provides provide growth and potential dividends.



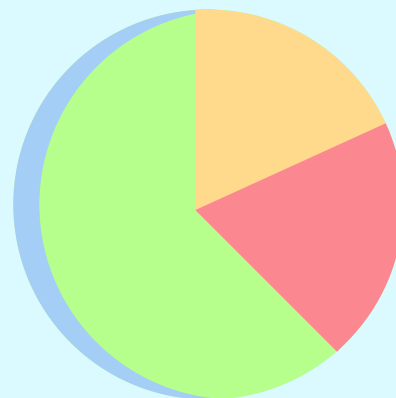
## Bonds

A security under which the issuer owes the holder a debt. This provides safe growth and interest.



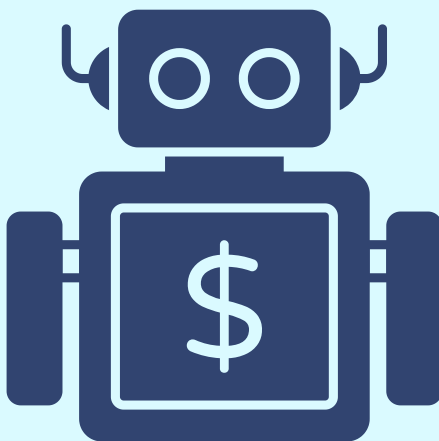
## Index Funds / ETFs

Passive investment funds that replicate the performance of an index, provide diversification, and tax efficiency



## Robo Advisor

These are automated portfolio managers that can put together a simple low-cost portfolio, so you don't have to do all the work.



# BROKERAGE ACCOUNT

- **Easy way to open a standard investment account to buy and sell stocks, bonds, ETFs, options, mutual funds, and index funds.**
- **Access to most investments available in the public market**
- **Trades, dividends, and interest taxed in year received**

## **Where can you open one?**

- **Fidelity**
- **Charles Schwab**
- **Interactive Brokers**
- **Vanguard**
- **E\*TRADE**
- **TD Ameritrade**
- **Robinhood**
- **Ally**
- **And many more**

# TRADITIONAL IRA

- Contribution limit is \$6,500 per year (2023)
- Contributions are tax deductible
- Distributions are taxed
- No income limitations to for contributions

# ROTH IRA

- Contribution limit is \$6,500 per year (2023)
- Contributions are not deductible
- Distributions are tax-free
- Income limitations for contributions

# 401K



- **An employer sponsored plan where you and the employer can contribute**
- **Earnings grow "tax deferred", meaning it's delayed to later**
- **Employee contribution limit is \$22,500 (2023) and is deductible**
- **May have a "Roth" option inside**
  - **No Income limitation**
  - **No deduction**
  - **Tax-free growth and distribution**
  - **Matches are not Roth!**
- **May offer a "match" (This is free money!)**

# WHY DO WE INVEST LONG TERM?

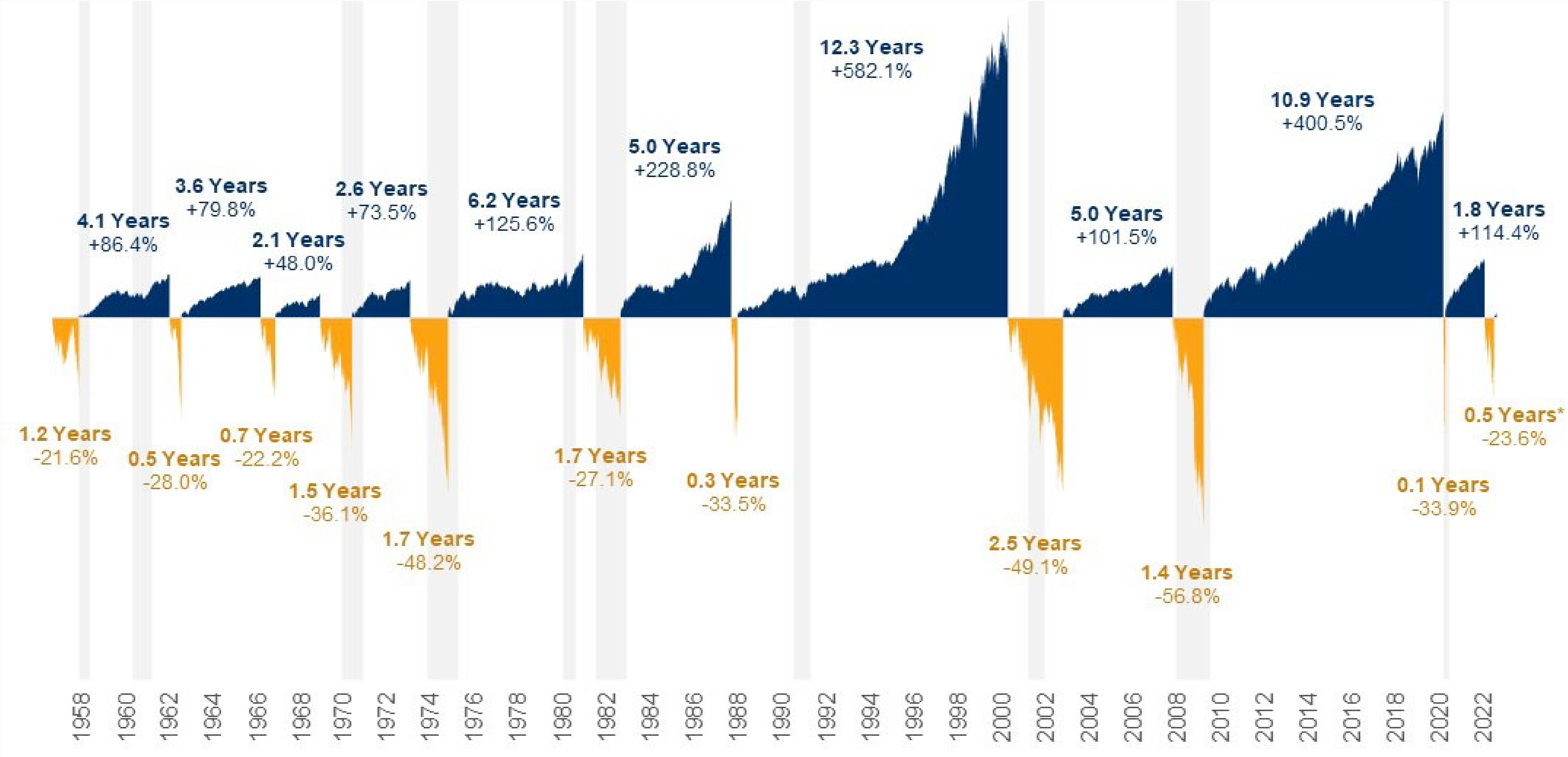


**It's simple.**

**The data say so!**



# LONG TERM INVESTORS HAVE BEEN REWARDED



# TIME IN THE MARKET > TIMING THE MARKET

## The difficulties of trying to time the market



Bank of America looked at the impact of missing the market's best and worst days each decade

Decade	Price return	Excluding worst 10 days per decade	Excluding best 10 days per decade	Excluding best/worst 10 days per decade
1930	-42%	39%	-79%	-50%
1940	35%	136%	-14%	51%
1950	257%	425%	167%	293%
1960	54%	107%	14%	54%
1970	17%	59%	-20%	8%
1980	227%	572%	108%	328%
1990	316%	526%	186%	330%
2000	-24%	57%	-62%	-21%
2010	190%	351%	95%	203%
2020	18%	125%	-33%	27%
Since 1930	17,715%	3,793,787%	28%	27,213%

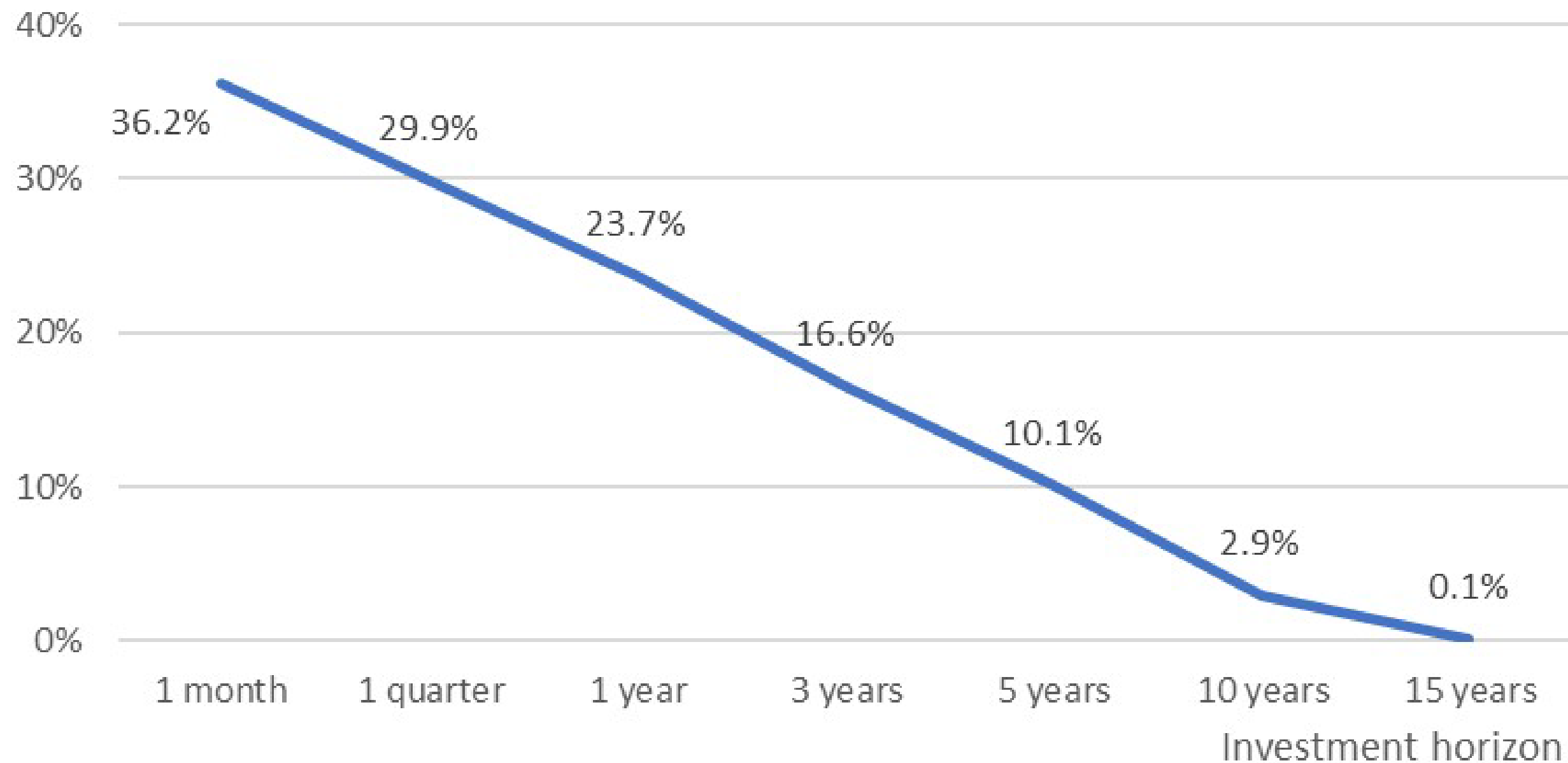
Source: Bank of America, S&P 500 returns



# INVESTING LONG TERM IS SMART

Short-term investors have faced significant risks of losing money,  
longer-term investors have not

Percentage of the time where investors would have lost in inflation-adjusted terms



# FINAL TIPS TO MAXIMIZE PERSONAL FINANCE

## **Automate Everything**

- Contribution amounts
- Bank transfers
- Reinvesting

## **Review Schedule**

- Annually: Identify Goals
- Semi-Annually: Contribution Amounts
- Quarterly: Investments
- Monthly: Budgeting

## **When Do You Need Your Money?**

- Short term? Cash
- Long term? Invest

## **Golden Rules to Investing**

- Invest long term
- Spend time IN the market
- Keep it simple

**THANK YOU!**

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