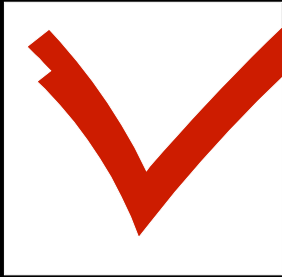


# Why Make a Financial Plan?

---

---

**Planning is a tool to help you:**



- live within your income
- know your goals and priorities
- meet your expenses
- face emergencies
- limit credit use
- reduce conflict
- save and invest for future
- gain independence and control

# Financial Planning

1. identify financial goals
2. figure net worth
3. estimate income and expenses
4. review personal debt situation and credit options
5. allocate savings & investments to reach goals
6. balance income and expenses
7. implement the plan
8. review and modify the plan as necessary



# What Is A Budget?

*A plan for spending money*

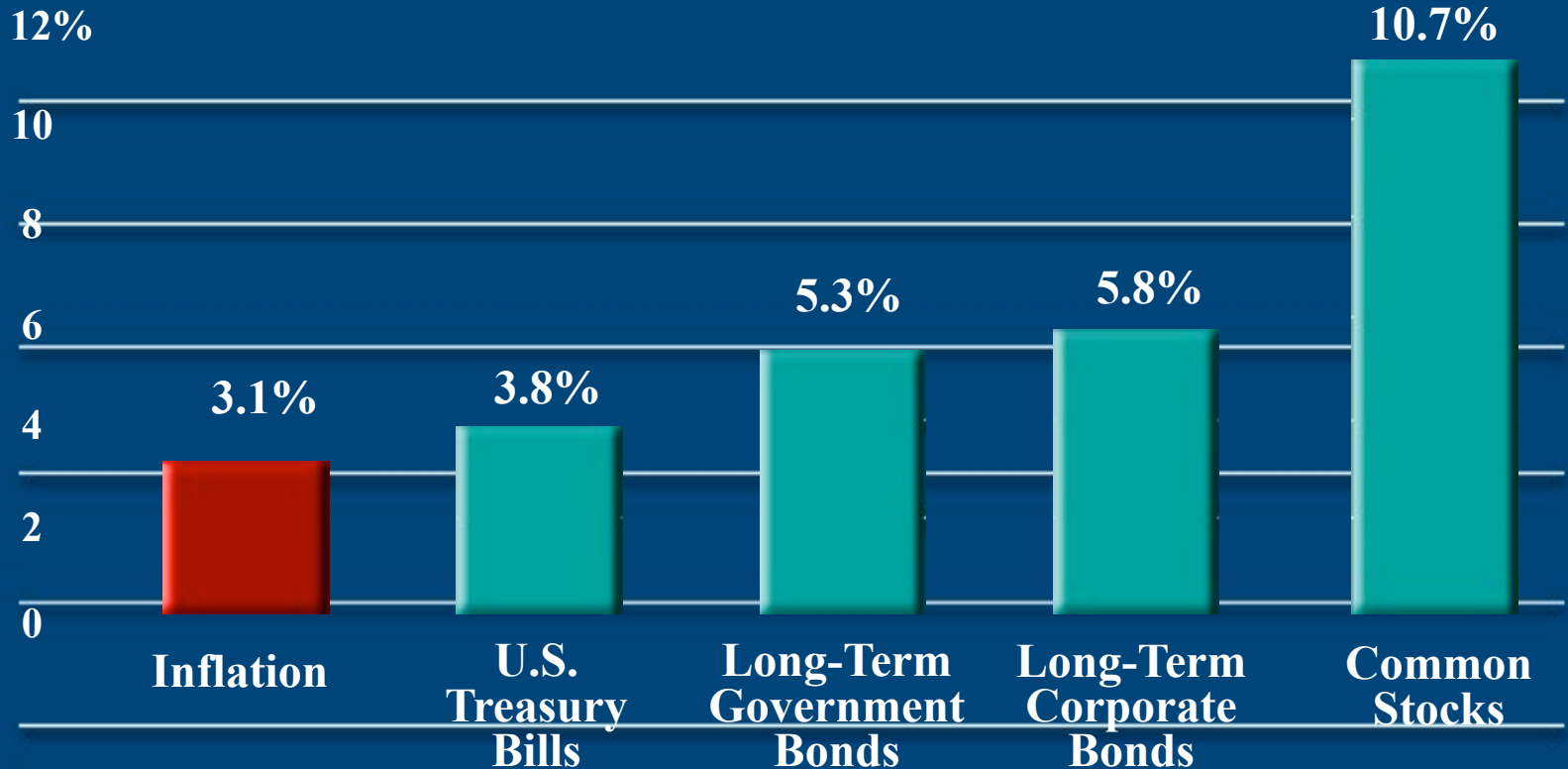


- Expense
- Income

**Budget Game**



# Average Annual Total Returns (1926-2001)



Source: Ibbotson Associates, Inc.

Past performance is not indicative of future returns.

# Which Investment Mix\*

in employer-sponsored plan

---

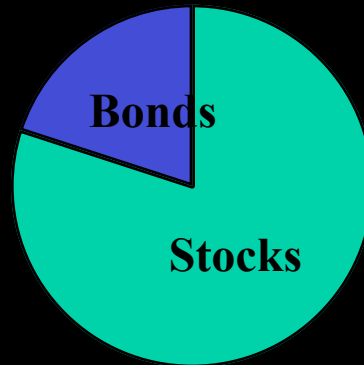
---

## Aggressive Growth



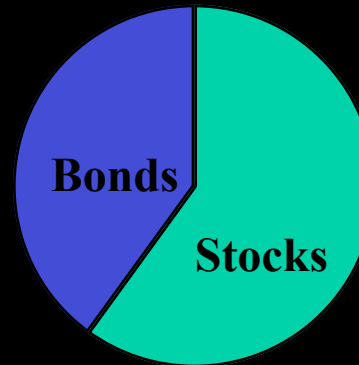
100% Stocks

## Growth



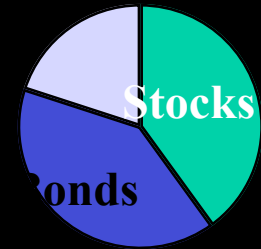
80% Stocks  
20% Bonds

## Moderate Growth



60% Stocks  
40% Bonds

## Conservative Growth



40% Stocks  
40% Bonds  
20% Cash

\*Asset Allocation

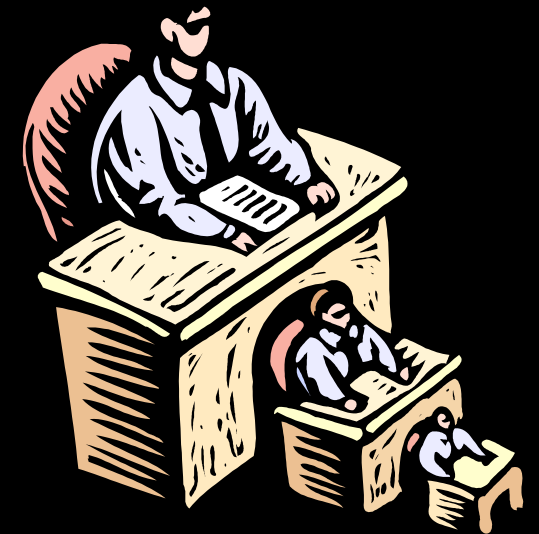
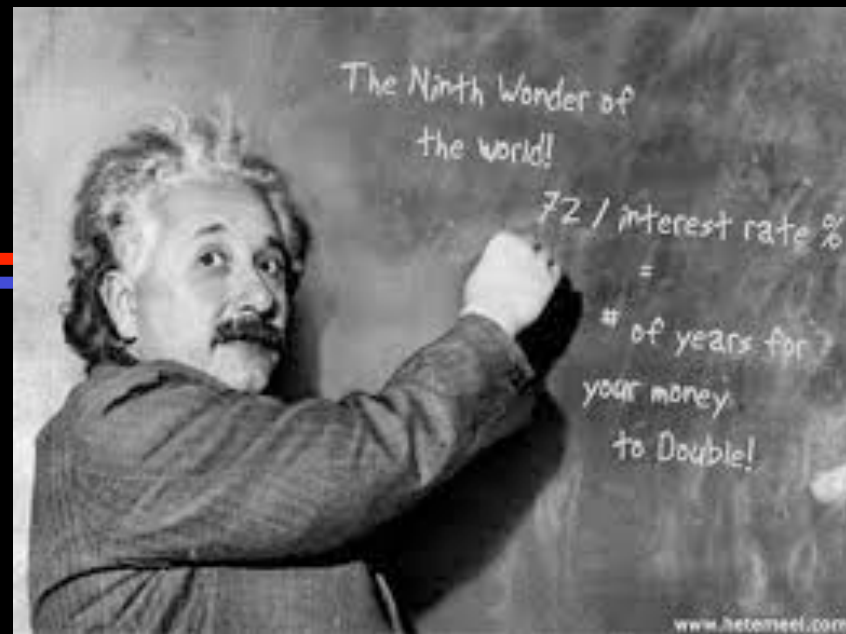
# Rule of 72

## Double Your Money

---

---

- ★ 72 divided by the % rate of return equals the number of years to double your money
- ★ At 10% it takes 7.2 years ( $72 \div 10 = 7.2$ )



# Two Rules to Live By

- 1. Spend Less Than You Make**
- 2. Pay Yourself First**



# What Happens When You Violate Rule #1?

## You Spend More Than You Make



- Borrow Money
- Credit Card
- Balance of \$5,000 at 17% Interest
- Minimum Payment
- 81 years to pay off the balance



# Rule #2

## Pay Yourself First

### How Much Money Could You Earn If...

**Saved \$15/day  
until you were 65?**



Coffee/hot chocolate & snacks	\$15
Save \$15 everyday for one month	\$420
Rate of Return	5.00%
<b>At Age 65</b>	<b>\$1,000,000</b>

# Credit Cards

- ★ Less than 40% of card holders pay entire balance each month
- ★ If interest is 12% APR adds 12% to price of items purchased



## Digging Out of Debt

### When Purchasing:

Is it a need or a want?  
Can I really afford it?

Why exactly do I want it?

What happens if I can't pay this off?



# If You Owe...

---

---

**\$2,000 on a 19.8% APR Credit Card**

**A Minimum  
Payment of**

**Means a  
Debt Lasting**

<b>2%</b> .....	<b>32 years</b>
<b>3%</b> .....	<b>12 years</b>
<b>4%</b> .....	<b>8 years</b>
<b>5%</b> .....	<b>6 years</b>



***assuming no new charges***

# If a 21 year old college student owes . . . .

- ★ \$2,300 on 18% APR credit card
- ★ Makes minimum monthly payment
- ★ Will take 33 years to pay off debt, assuming no new purchases.

Total Interest Payments.....

**\$5,831**



# Your Credit Report

## What is a credit report?

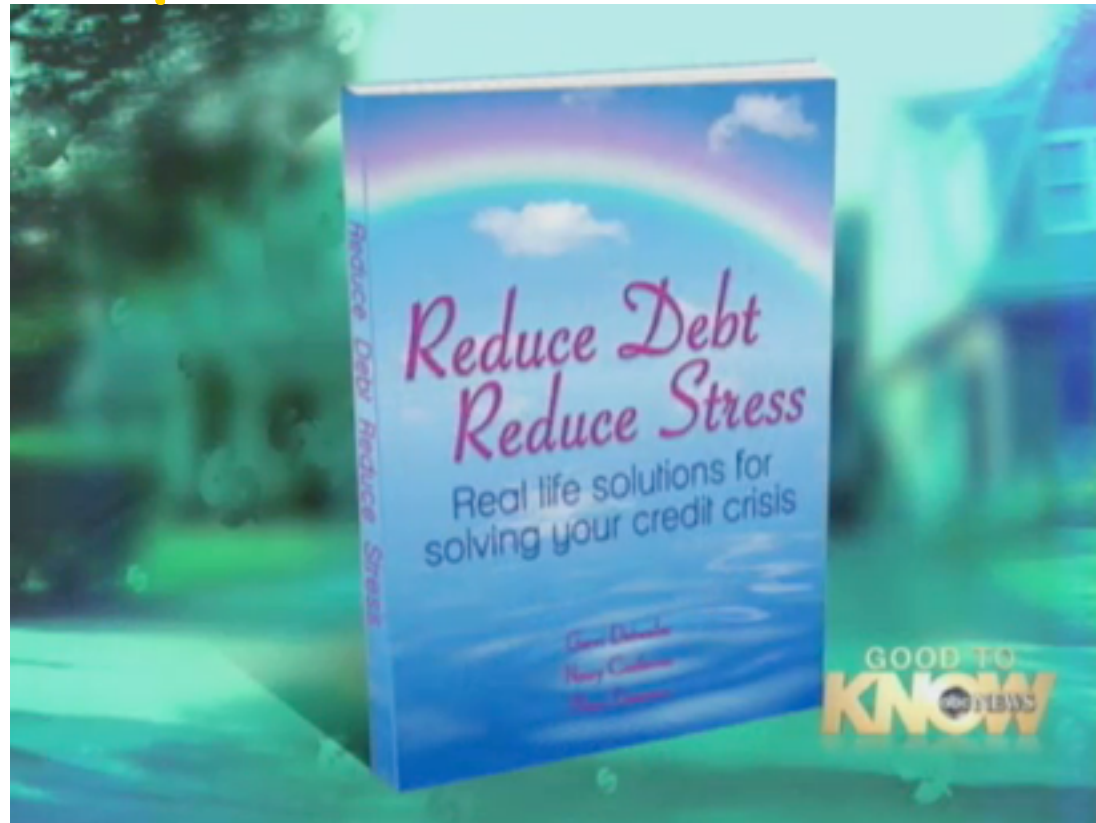
- your credit history and debt repayment record

## Who can get a copy?

- employers, insurance agencies, landlords, credit grantors any subscriber of the credit reporting agency- With your permission

## How long information stays on your record?

- Credit inquiries - 2 yr.
- Payment patterns - 7yrs.
- Bankruptcy - 10 years.
- For employment and mortgages over \$75,000 information can be kept for a lifetime.



# Personal Finance Assignment

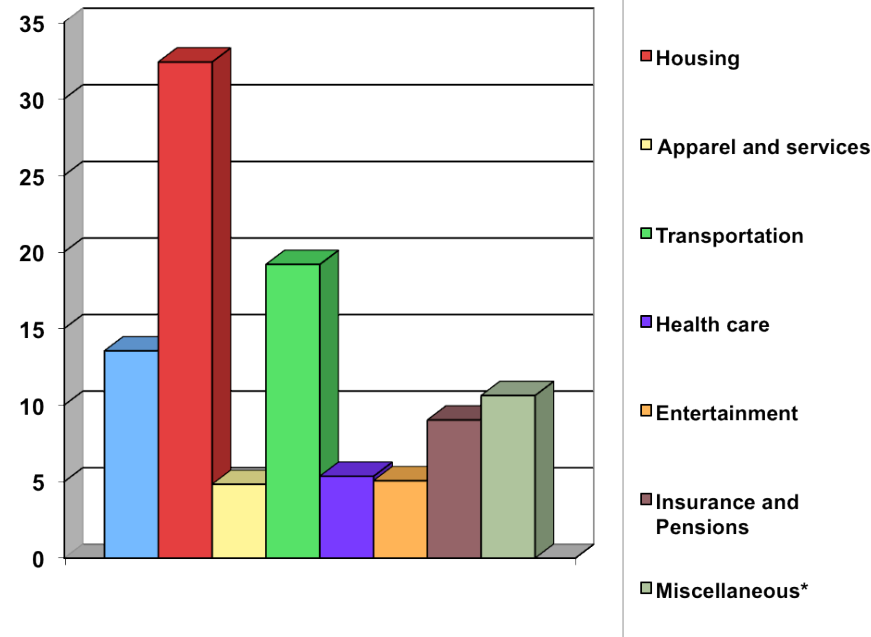
1. Enroll in simulation
2. Pick a legitimate career and write down your salary - Do Est. Income Form
3. Rent/Own (prefer rent)
4. Stocks (38k) - Choose your investment risk level, stock plan (make sure you write dates you buy and Why!
  - a. Pick your investments -Bonds, ETF, Mutual Funds, Stocks etc.
5. Net Worth/Figure out your expenses-college loans (record of expenses sheet Actual and Hypothetical
6. Estimate Expenses: 13% Food, 5% Health Care, Insurance 8%, Transportation 19%

If Taxable Income Is:	The Tax Is:
Not over \$17,400	10% of the taxable income
Over \$17,400 but not over \$70,700	\$1,740 plus 15% of the excess over \$17,400
Over \$70,700 but not over \$142,700	\$9,735 plus 25% of the excess over \$70,700
Over \$142,700 but not over \$217,450	\$27,735 plus 28% of the excess over \$142,700
Over \$217,450 but not over \$388,350	\$48,665 plus 33% of the excess over \$217,450
Over \$388,350	\$105,062 plus 35% of the excess over \$388,350
<b>Standard deduction</b>	\$11,900

<---Federal Taxes

## Gross V. Net

Average Expenses



## California Taxes

Schedule Y — Married/RDP filing jointly, or qualifying widow(er) with dependent chi

If the taxable income is				
Over	But not over	Tax is		Of amount over
\$0	\$14,910	\$0.00	plus 1.00%	\$0
\$14,910	\$35,352	\$149.10	plus 2.00%	\$14,910
\$35,352	\$55,794	\$557.94	plus 4.00%	\$35,352
\$55,794	\$77,452	\$1,375.62	plus 6.00%	\$55,794
\$77,452	\$97,884	\$2,675.10	plus 8.00%	\$77,452
\$97,884	\$500,000	\$4,309.66	plus 9.30%	\$97,884