# Personal Finance 101

The video URL is: https://youtu.be/LNi4cC-OfgI. You can also search the video by typing *personal finance 101, personal finance basics, and fundamentals* on YouTube. The video is published by *selfLearn-en* and the length is 1:22:46. Each section has a time code if you want to take a break or missed a blank. All answers can be found in the PowerPoint, or through the audio. After you complete the notes, make sure to take the quiz. You must turn in a completed notes sheet and the quiz for *Budget* class and *Bank On It/Check It Out* credit.

- Remember, you do not have to complete this worksheet in one sitting. Determine the way you learn best to fill in the blanks, whether it is listening and then going back to fill in the blanks, answering them as your watch the video, breaking the sections into chunks. Work at your own pace.
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Earning More - 0:00:10

- First thing to consider is that even if you're on a salary, stop thinking of your income as a fixed number, but as a number that ____________ as you grow.
- Remember, salary increases are rarely given, they're earned and even more importantly they are ____________ for.
- The golden rule: Know your ____________. Your worth is not what you're paid, but the ____________ you bring. When you know your worth you can negotiate, you can confidently present your value to your employers or your customers. Your worth is also relative. What do other people make for doing the same thing?
- Don't wait until Performance ____________ Time, make your case now.

Income Types - 0:03:10

- The biggest positive change for this generation of workers is that there's much more ____________into how you're paid.
- The biggest negative change, the onus is now on the employee to investigate their worth and make their case for increments. A big part of taking charge versus leaving your income in the hands of your employer is to be more creative or even more aggressive with the types of income you can consider.
- The general rule of thumb of investing, your ____________ should be less than all your income. The key thought here is however much money you have you should be looking into investing as a key to growing your money over time. In the US and in many countries' investment income is taxed at a much lower percentage than salary.
- The higher percentage of your income that is investment income the ____________ percentage of tax that you pay.

- Even if the value of your ____________ goes up, that's not income. Not unless you sell some or all of it and you realize the gain. Income is in the form of dividends from companies and interest from bonds.
- Let's say you have a $500,000 nest egg by the time that your salary job goes away and you expect to live off of that nest egg. At a conservative 4% return that's only $20,000/yr.
- As one of her mentors told her, "No one ever got rich through their ____________." His point was that equity in real estate or investment portfolio or in businesses, ____________ is the key to long term financial success. Empowerment comes with multiple income streams. Even if they're a trickle at first, it's better than nothing. Longer term income streams buys you options in life. Investing your time, attention, and money in more avenues than just your primary career is a great way to ensure that your income can grow long term.

Tax - 0:07:08

- First thing to consider is that tax shouldn't be a surprise.
- Three ways to reduce taxes.
- First, are the income reductions. You can lower the income that taxes are assessed on by a number of ways. Contributions to ____________ and interest on ____________ ____________can generally be used to reduce your income, subject to earning limits. Employer-based flex spending accounts for expenses such as transit, parking, education, childcare can sometimes be used to reduce your taxable income.
- Second, use credits to reduce your taxes. Make sure you check if you can get the earned income credit on your tax return. The earned income tax credit, sometimes called EITC, is a tax credit to help you keep more of what you earned. To qualify, you must meet certain requirements and file a tax return. Even if you don't owe any tax or if you're not required to file. There is also credits for education, childcare, and savings.
- Last are ____________. These are things you can claim to lower your taxable income.
- Here is a list of things you can use as deductions, interest on mortgages, property taxes, state and local taxes, and some medical expenses. If you add up these deductions, see if they're greater than the standard deduction. If they are greater, you should itemize your tax return.
- Also be aware of other misc. deductions, if they amount to over ____________of your adjusted gross income, you can claim them too. These include tuition, dependent care, tools for work, magazine subscriptions, fees you pay to get your taxes prepared, and expenses incurred when looking for a job.
- If you qualify for a lot of the deductions and credits, it may be a good idea to get help. They're a lot of ____________ ____________services online.
- If things look super complicated, get a professional to help. Get a quote upfront.

Paying yourself - 0:11:38

- Out of all the money you expect to earn in the next year, what are you going to pay yourself?
- Two things you need to do to figure that out are: one, pick a ____________ of your post tax income that you're going to save and set in place a plan.
- Remember you're paying a lot of people before you pay yourself, so let's flip that thinking.
- Maximize your pre-tax dollars and ____________ as much as possible from that form.
- Contribute whatever will get you the highest match, aka ____________ ____________.
- Instead of making your bills the priority, make ____________ the priority.

Future Earnings - 0:14:25

- Reframe retirement, life doesn't stop at 65, so why should your income?

- We all ____________money until the day we die. Now there's no jobs for life and pensions are going away fast, where is that money going to come from? A happy and functional third phase of your life is not something that will just happen. You have to make it happen.

Ask - 0:17:50

- Raises come in ____________increments and when you move jobs, it's unusual to get more than a 10% to 20% jump. So, you will need to make sure you start as high as you possibly can. Otherwise, you'll always be working just to catch up.
- It's vital that you understand the context of your ask, and what is happening behind the scenes at your company.
- Question one, how's the company doing? Are you ____________ and hiring new people, or shrinking, via layoffs?
- Question two, how does the ____________ see you? Are you high-profile, respected, and seem to be contributing? Or do you keep your head down in hopes someone will notice?
- Question three, do you have a ____________that pays a premium?
- Question four, who makes the decision about ____________?
- Question five, what time of year is it? Asking for a raise when the business is close to the ____________ ____________when every dollar counts is really tricky.
- Question six, is there a ____________ ____________ ____________? Do you know when conversations will happen or is it ad hoax? Either way, don't wait until your review to bring up your request.
- Your most powerful tool you have is a ____________ of the value you add to the business. If you're saving the company the need to hire another person, it's easier to justify another increment.
- Use online tools such as glassdoor.com or payscale.com to find competitive and comparative positions.
- The first conversation you have should be with someone who is empowered and in your ____________. If you have a good relationship with your boss or your supervisor they can negotiate with HR or finance on your behalf.
- The top four points for you to present are 1) your scope of work and the increased value that you bring. 2) Comparative data from your own company or industry, 3) your commitment to the company and 4) your intention to expand your role to bring increased value and your number.
- Practice your conversation. Your ____________ shouldn't be no more than 60 seconds to cover those four points. Have an extra few points available should the person want more detail. Make the ask and then ____________ ____________. Don't leave the conversation ____________ ____________. Clearly ask what the next steps are and how you can help make them happen.
- Instead of money you can ask for extra time off or have the company pay for costs or continued education or perhaps ask for a flexible work arrangement, or a more challenging assignment, or even a transfer to a different location. All of these things can help you increase your long-term earning potential.

<u>Spending Money - 0:24:30</u>

Spending - 0:24:35

- “It's not how much money you earn, but how much you ____________. That is the key to your financial success.”
- Will Rogers says, "Too many people spend the money that they earn to buy things they don't want, to impress people they don't like."

- Every dollar you spend is a vote for the companies that you're buying from. Are these companies you trust and believe in or are you just buying out of habit.

Budgeting - 0:28:03

- Next step in conscious consumption is understanding how ____________ flows in and out of your household and making a budget to set goals and track your progress against them.
- Four main reasons to set a budget are 1) to live within your means, 2) to get out of debt, 3) to have money to invest, and 4) to pay for bigger things like cars, or vacations, education, or the latest must have designer bag.
- One of the most powerful things you can do before committing to larger items that need to go into your budget is ____________ ____________

Planning for Windfalls (Receiving Inheritance / Life insurance) - 0:32:13

- Set aside 10% - 20% of the amount. Now prioritize what you are going to do with that money. Perhaps set a budget. But clear about what you want or need before you start writing checks. In the meanwhile, ____________ the rest.
- If you're holding onto credit card debt, use your windfall to pay down as much as you can.
- Should you be fortunate enough to have money come to you, keep your present self on the path that you're on, unless you're on dire financial straits, and pay your ____________self far more handsomely than your present self.
- If you're handing over your windfall for someone else to manage, you must be in a position to ask the right ____________. As an investor, it's your responsibility to know how much of your money is earning for someone else.
- Questions to ask, 1) How much in ____________ will I be paying you. 2) How does my return on investment after fees compare to the rest of the ____________.

Credit Cards - 0:36:20

- Credit in the form of consumer credit or credit cards, allow you to borrow money in order to finance the purchase of something that may normally be out of reach.
- The downside of credit cards is that they charge an exceptionally high ____________ rate.
- Before using your credit card have a ____________ to pay it off as quickly as you can.
- Use all the benefits your card offers, use the price matching, the cashback, car rental insurance, extended warranty, loss protection, etc.
- If you're close to ____________ ____________your balance, pay it all off. If you have a $1,000 balance and you pay only $999, you will be charged interest on the full $1,000. Not the $1 of remaining debt.
- Know the ____________ for fees and penalties. Missing payments, going over your credit limit, and not paying your minimum will all trigger penalties. The most severe of these is higher interest rate. This can happen if you miss even one payment and is automatic after two.

<u>Understanding Saving Money </u> - 0:41:43

Savings - 0:41:49

- There are four places your money can go, you can spend it, save it, give it way, or invest it.
- There's so much ____________ for your attention and for your dollars, and unless you have a specific strategy or plan, it's all too easy for your savings to become your vacation budget, or the way you pay for your car repairs.

- Checking accounts are for your day-to-day spending, the money you need for your ____________ to run. Your food, car, clothes, home, insurance, entertainment.
- Saving accounts are safe, but they're not strategic. To think strategically, consider three separate goals to have for savings, 1) emergency savings, 2) short term goals, and 3) long term saving.
- For emergencies it's important to have money accessible. The rule of thumb is to have ____________ to ____________ months of savings should you lose your income and don't want to go into debt.
- Short term goals are the things you should not go into ____________ for. Taking a trip, upgrading your computer, or holiday gifts. These are higher cost items that you pay for by setting aside savings.
- Long term savings is the money that you need to build the ____________you want.
- Where you save is equally as important. Remember, your money is powerful, but when it's sitting in a bank account. Your money doesn't do much for you. Conversely, for your bank, your money does a lot.
- The good news is that there is instruments like certificates of deposit, government bonds, and corporate bonds that are relatively liquid but pay far more ____________ than savings accounts.

How to Save - 0:45:55

- FDIC stands for federal deposit insurance ____________.
- Fiduciaries are bound by regulation to get you the best price and recommend investments or savings products that are appropriate for your age, your financial status, and your risk level.
- Before you move money into any savings options, ask for a full list of ____________. Is there a fee to open the account? Is there a monthly maintenance fee? Is there an annual paperwork fee? Are there any other fees?

Credit Score - 0:50:15

- Your ____________ ____________will most likely be checked when you apply for a job, fill out a rental application, apply for a credit card, buy a car, or apply for a mortgage.
- To look at your credit history, go to annualcreditreport.com, this is the only place for a free credit history.
- Experian offers the ____________score, which is the most common. Some banks or cards offer credit scores for free.
- Things that credit agencies like to see. 1) never miss a payment 2) have different types of credit 3) use only a small amount of available credit.

Saving vs. Debt Reduction 0:55:05

- Rungs of debt ladder include: ____________, federal student loans, home equity loans, car loans, and credit card debt. The top half of the rung is considered good debt. Has lower interest rates with long-term benefits. As you move down the ladder, the interest rates are costing you significant money.
- Fix interest - Your ____________ amount is predictable.
- Variable interest - Your rate will change and your repayments are less predictable.
- If you're in debt it's important to have emergency savings at the very least because if something happens to your income, you don't want to go ____________ into debt as you secure your next job.
- Compound Interest - The basic idea is you earn money on your money. ____________ ____________ works against you when you're in debt and for you when you invest.

- Strategies 1) Balanced strategy - Pay down an acceptable amount of debt while putting money into savings. First your emergency savings then start investing. 2) ____________ ____________ ____________strategy - reprioritize your spending in the short time to pay down bad debt as quickly as possible while putting aside enough money to cover a few months of expenses. Your number one job is to pay down the bad debt before moving on to more focused saving and investing. 3) ____________ ____________ ____________- If you have mostly good debt, then incorporate it as an expense in your life and get busy building your investment base.
- The short answer on whether to pay down debt or save and invest is to do ____________.
- Create a plan that works for you to check all the boxes: Paying down your debts, creating an emergency fund, creating savings, and investing to growth your savings.

<u>Understanding Investing Money</u> 0:59:56

Investment Options - 1:00:01

- Banks pay less than one percent interest on deposits, and with fees your money could actually ____________ value while sitting in the bank.
- Certificates of Deposits aka CDs all have fixed time lengths ranging from one month to several years, the only problem with a CD is that you must keep the money in the CD for the duration. If you withdraw it early, you will be penalized.
- Bonds are a loan that you, the bond holder, make to either a government or a company. For this privilege, the bond issuer will pay you interest. The nice thing about bonds is ____________ ____________ give every bond a rating based on how likely you are to get your money back so you can assess risk. The highest quality bonds are called____________ grade bonds and they pay lower interest rates. Lower quality bonds are called ____________ bonds and they pay the highest interest rate because they have a higher risk level.
- The nice thing about bonds are you can easily buy and sell them, you don't have to wait until they ____________. The one drawback for a bond is the value can change.
- If you're okay with more risk, then stocks might be a good option. Stocks are actual ____________ stakes in companies. As an owner you get to share in the profits through dividends and get to share in the growth of the company through an increase in value of the stock. The goal of stocks is to find the stocks are that undervalued and avoid the ones that are overvalued. Investing in stocks offers the best year over year returns over any other financial instrument.
- Funds - Are a pre-packaged pools of bonds and stocks.

Risk, Value, and Confidence - 1:04:54

- The ____________ the risk, the higher the potential return and the potential losses. The inverse is also true, the ____________ the risk, the lower the potential return or the potential losses.
- In order to invest each investor needs to weigh risk vs value.
- Once you have confidence, speculation becomes an educated decision and you stand a much better chance of making good returns on your investment.

Investment Strategy - 1:08:51

- Three key components to develop an investment strategy 1) Decide how much you can invest. 2) Be very clear about how much of that money you want to pay away for retirement 3) Decide how much risk you're comfortable with. More tolerance for risk means more stocks than bonds, and less tolerance means less investment grade bonds.
- If you want to earn more than what you would earn via your savings account but don't want to risk what you have? If so, that means your goal is____________ preservation. Do you want to

grow your investments but want to get some income along the way? Your goal then is income generation. Do you want the value of your investments to increase and dividends are less important to you? If so, this means your goal is ____________. Do you want to take on higher risks at making more money but know that you could lose some of your savings, if so, your goal is Speculation.

Options - 1:12:40

- The four basic options of how you can invest include 1) a traditional advisor, if you want to have someone make decisions for you. 2) Do it yourself, via opening a trading account with a reputable broker and initial your own trades. 3) Digital advisors, aka RoboAdvisors are digital platforms that use an algorithm and other data to generate a portfolio for you. 4) Wealth management services brokers offer management of "wealth," usually in the hundreds of thousands of dollars and upward. Unlike a registered investment advisor, the ____________ is not bound by the requirement that he or she must acts in their clients best interest.
- Investopedia.com is a great unbiased place to learn about investing and it also has a terrific virtual portfolio feature where you compete against your friends or colleagues.

Fees - 1:16:35

- The simplest way to understand fees is to understand the more ____________ you give to someone else, the more you pay.

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**https://www.surveymonkey.com/r/personalfinancequiz**