

Financial Literacy

SAMPLES

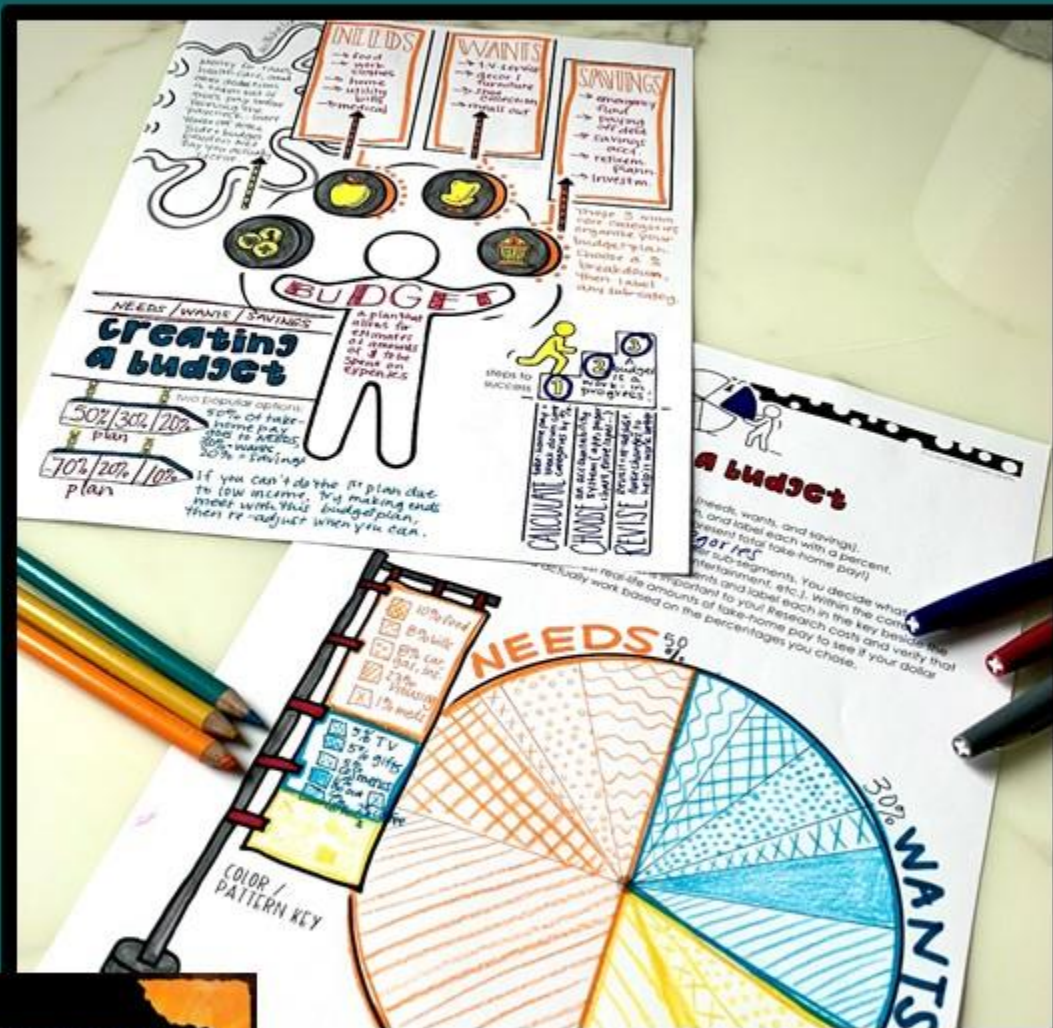
Guide

doodle

notebook

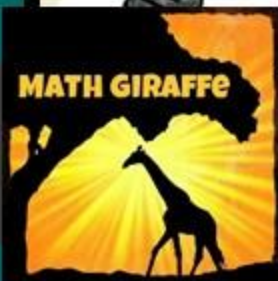


FINANCE for TEENS



6 CHAPTERS:

- ✓ TAXES
- ✓ BUDGETING
- ✓ INTEREST
- ✓ STOCKS
- ✓ BANKING
- ✓ INSURANCE
- ✓ MORTGAGE
- ✓ INVESTING
- ✓ LOANS
- ✓ NET WORTH
- ✓ ... & MORE



doodle note® book

This set of samples is a supplemental guide to accompany the Finance Doodle Note Book. To purchase the full book, [click here](#).

For tips on using doodle notes, visit doodlenotes.org



ENGAGE

your brain!

- doodle, sketch, color



TO DO:

1 Write left-brain activities inside the left hemisphere of the brain, and right-brain activities in the right hemisphere.

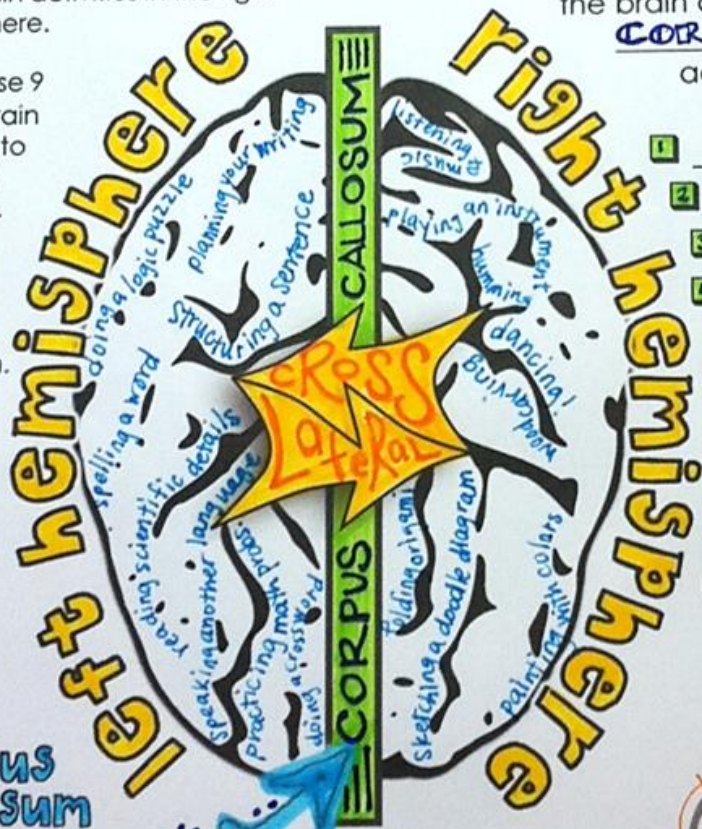
2 Choose 9 of the brain benefits to write on the lines.

3 Label the corpus callosum.

Our core subjects are mainly LEFT brain. When we can add color, doodles, and artistic embellishment, we incorporate the RIGHT brain. This communication between both sides of the brain at the same time (across the CORPUS CALLOSUM)

activates our brains more fully to help us to maximize:

- 1 CONCENTRATION
- 2 NEW LEARNING
- 3 ATTENTION
- 4 PROBLEM SOLVING
- 5 MEMORY
- 6 CREATIVITY
- 7 FOCUS
- 8 RELAXATION
- 9 RETENTION



The **CORPUS CALLOSUM**

is... a **BUNDLE** of neural **FOIBERS** that runs between the **2 HEMISPHERES** of the **BRAIN**



visual memory triggers...

STICK in our **BRAINS** - we remember how we wrote, doodled, or drew it.

RIGHT: color

LEFT: words, logic, numbers, reasoning, reading, writing

Name: _____

brain processing

The brain processes new learned material in two completely separate areas. Label the types of input that enter each center of the brain.

Name: _____

A

linguistic



graphic

VISUALS



WHY take doodle notes

But, to convert the information to long-term memory (actually LEARN IT), we need to **CONNECT** the two

REFERENTIAL CONNECTIONS

memory boost
Combining leads to

Retention

graphic analogies & visual memory triggers (pictures)

doodles sketches

Taking visual notes helps us to

blend

Image INPUT

& language INPUT

what the teacher says

what you read in the

what you write





A savings account...
 IS for money you won't
 withdraw frequently.
FEEs → if you do, but
INTEREST → if you
 leave it in there.
 Build up savings for
 large purchases + for
 emergencies.

Inside the piggy bank, doodle some
 examples of purchases that you'd have to
 pull from your savings account for as an adult.



label it

What do you call a
 transaction that puts
 money into your
 account? What about
 taking money out?

How does putting your money in a bank
 benefit you?

1 PROTECTION



more security: safer
 than money in your
 wallet or house.
 Insured by FDIC.



In return for getting to hold
 (+use) your \$, banks give interest.
 (small % back to you)

2 GROWTH

banking accounts

How does the bank benefit?

PROFIT

- loan out your \$ and
 get higher %
- credit card interest
- fees



• BA

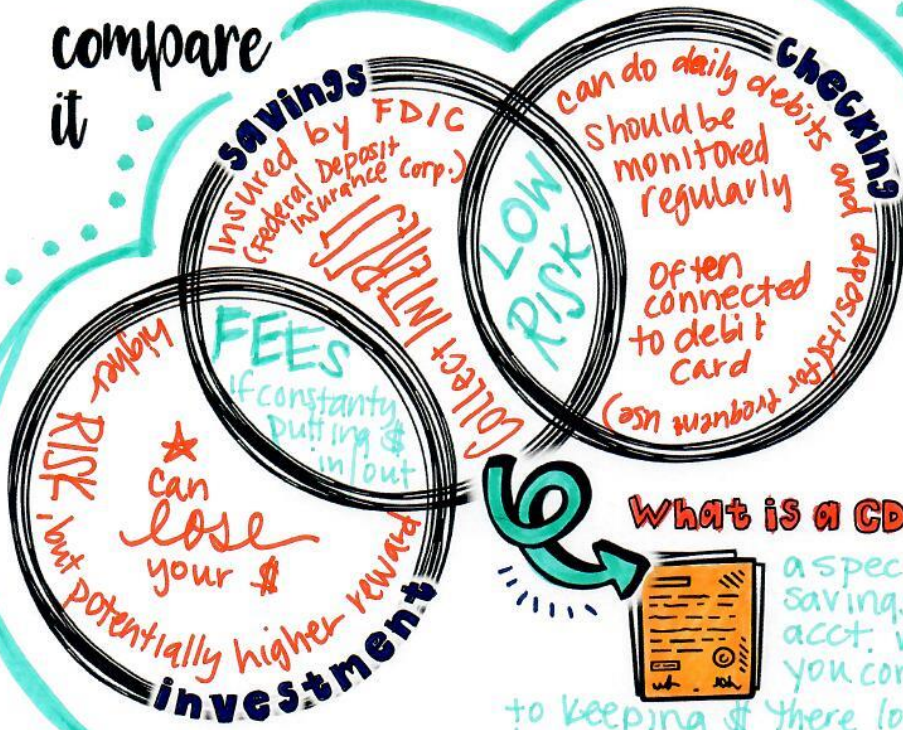
What fees might a bank charge?

account fees
 ATM fees
 overdraft fees (you
 spend more
 than \$ in
 your acct.)

fees
 wire
 transf.
 fees
 penalties



compare it



Your checking account works more like a wallet that you can access daily for: \$ that flows in + out regularly.

- Bills
- Purchases
- Deposit paycheck
- Daily spending

Inside the coin purse above, doodle or write some examples of day-to-day purchases that you'd use your checking account for, rather than pulling from your savings account each day as an adult.

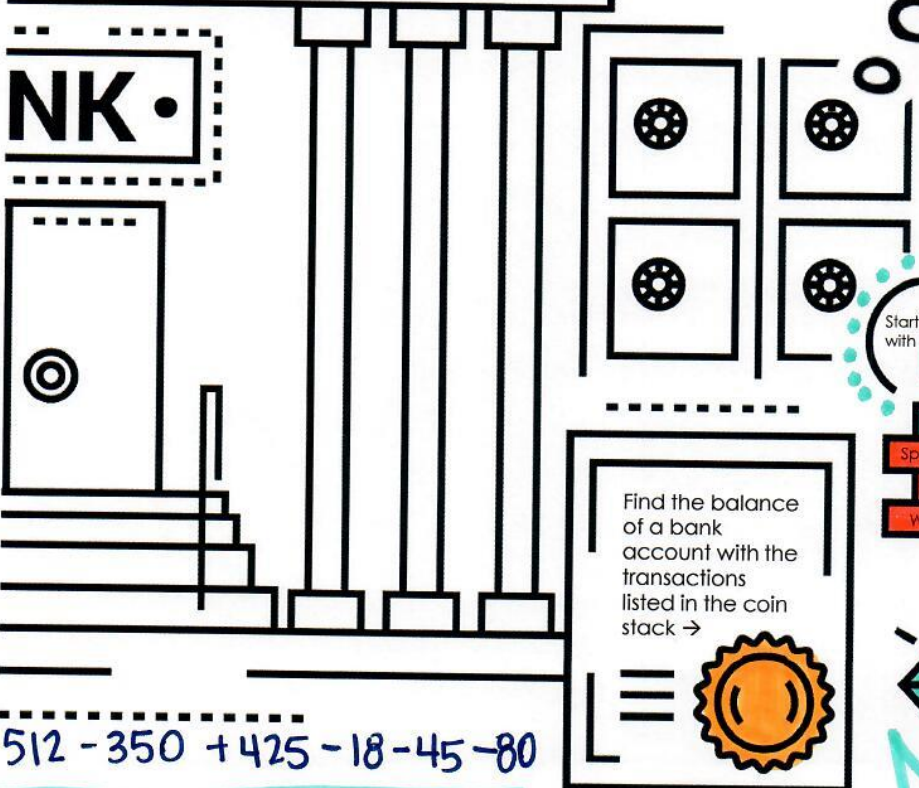
doodle it

What is a CD?
 a special savings acct. where you commit to keeping \$ there longer, but get a higher % interest.
Certificate of Deposit

What are some challenges / barriers that could keep you from saving enough money?

having DEBT to deal with first,
 being impatient
 impulse buying

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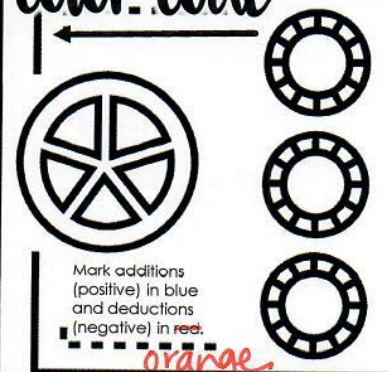


512 - 350 + 425 - 18 - 45 - 80

strategize
 How can you improve saving habits?

- Automatic transf. from checking to sav. each month
- Split direct deposit

color-code



DEFINE EACH:

principal

the initial \$ DEPOSITED

START →

interest

\$ a bank pays you in return for keeping your \$ there



interest rate

%

of your \$ that you will get as interest

(added to your account by the bank)



MAP OUT HOW IT WORKS:

you DEPOSIT your PRINCIPAL



the BANK invests the \$

↑ REINVESTS

The bank keeps the rest of the \$



The bank PROFITS from the \$



Your portion of the INTEREST is calculated

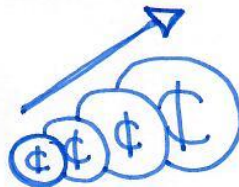


you get INTEREST added to your principal.



NAME:

Simple interest



EXPLAIN IT: When you save money in the bank, they reward you with interest, since they profit off of your money.

FILL IT IN:

amount of INTEREST

=

PRINCIPAL (initial deposit) RATE (as decimal) in TIME (years)

multiplication



Simple interest



USING THE FORMULA

$$I = PR \cdot T$$

I: INTEREST amount
P: PRINCIPAL
R: RATE
T: TIME

I DEPOSITED \$350 INTO A SAVINGS ACCOUNT WITH 3% INTEREST. HOW MUCH WILL BE IN THE ACCOUNT AFTER 2 YEARS?

$I = prt$

$$I = 350(0.03)(2)$$

$$I = 21$$

Add that interest to the principal.

$$\$350 + 21 = \$371.00$$



I PLAN TO PUT \$500 PER QUARTER INTO AN ACCOUNT WITH 6% INTEREST. HOW MUCH INTEREST WILL I EARN IN THE FIRST QUARTER?

$I = prt$

$$I = 500(0.06)(\frac{1}{4})$$

one quarter is $\frac{1}{4}$ of the year $\rightarrow 0.25$

$$500(0.06)(0.25)$$

$$\$ 7.50$$



I'M PUTTING ALL \$282.50 I EARNED FROM MY JOB INTO MY BANK ACCOUNT. WHAT INTEREST RATE WOULD GET ME TO \$300 BY THE END OF THE YEAR?

$I = prt$

$$\$17.50 = 282.50(x)$$

Amount of Interest I'd need $(300 - 282.50)$

$$x \approx 0.0619... \text{ so}$$

about 6.2% int.



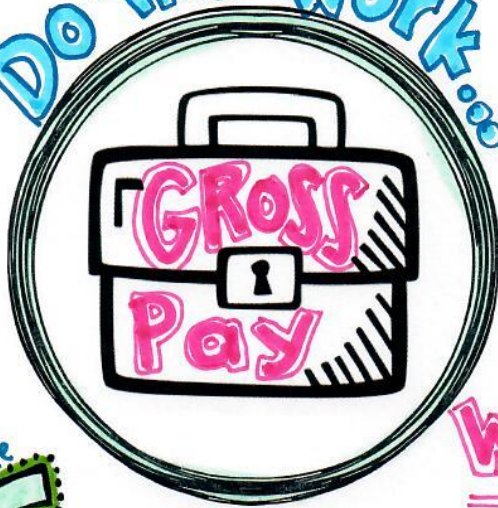
NAME:

label it

Use hand lettering to place each of these terms somewhere in the correct area of the flowchart and explain.

- Withholdings
- Tips
- Extra / Entertainment
- Paycheck
- Work
- Food, Medical, & Other Needs
- Savings
- Gross Pay
- Home expenses and bills
- Net Pay
- Benefits

Do the work...



doodle it

Draw an icon to represent each type of withholding:



Withholdings

Gross pay is the total you earn by working. A portion is withheld, though. You don't receive these funds.



TIPS
separate from pay-check



NET PAY

PAYCHECK

Earning a Paycheck



When you contribute to your own **401k plan** retirement plan, some employers will **match by contrib.** up to a certain percentage with their own contribution.
Take advantage!

The Net pay (amt.) after the withholdings have been subtracted is what you get in your check to put into your bank acct.

Net pay must be budgeted carefully to cover all your expenses, including needs, wants, and savings.

Different education levels can give you access to different careers. However, many students have **debt** from college loans. Weigh your options. Trades often pay well too. Jobs at which you earn **tips** or **commissions** may have lower base pay.



EXPENSES



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Reading a Paycheck



try it

Compare the gross pay and net pay on this simplified sample paycheck. Find the total percent of your earnings that were withheld from your check. What percent of your gross pay do you actually receive?

This is what you actually receive.

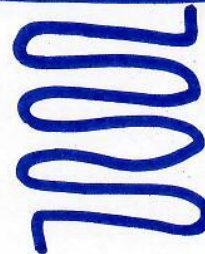
Pay to the order of: Sherlock Holmes  1519

Two thousand two hundred fifty-three and 56/100 dollars **\$2,253.56** equals

Pay Period: Dec. 1 through Dec. 14, 2015 <small>pretend paycheck: math purposes only</small>	Total Earnings <u>\$3121.14</u>	Withholdings Federal Tax: \$513.25 Social Security: \$256.19 Medicare: \$98.14
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------	------------------------------------------------------------------------------------------------

subtract

Assume that the paycheck shown here is the first one you receive for a new career with consistent income. To kick off a good savings habit with your new income, you plan to deposit one paycheck (Half of your income, since each month you earn two paychecks) into an account with simple interest. The interest rate is 2.25%. Calculate the total amount that you would have in the account after 10 years.



$2253.56 = x\% \cdot 3121.14$
 Keep ~ 72.2%
 (Approx. 27.8% is withheld!)



$I = prt$

$I = 2253.56 (0.0225)(10)$
 $I = 507.05$
 $\$2760.61$ [Add this interest to the principal to get total]

In the box, write or draw cases that may require you to access your emergency fund.

Creating an Emergency Fund

Experts recommend keeping three months worth of expenses in an account as an emergency savings that you never touch unless you have to. Assuming that you earn the paycheck shown above every two weeks, calculate approximately how much you should save in your emergency fund.

$\sim 2253.56 (6)$
 $\$13,521.36$
 in an emergency fund



Compound Interest

NAME: Brigid

Interest rate goes into the formula in decimal format.

INTEREST on your **INTEREST!**

SIMPLE VS. COMPOUND INTEREST

What's the difference?

Instead of only making interest on your initial deposit, you get interest on both your principal AND the interest accumulated!

compounded \Rightarrow recalculated

What's included in the balance?

- PRINCIPAL
- INTEREST

The balance becomes like the new principal for each period.

PRINCIPAL

How many times per year (n)?

MONTHLY 12

QUARTERLY 4

SEMIANNUALLY 2

"n"

A
ANNO balance

INTEREST RATE

NUMBER OF PERIODS
times compounded

NUMBER OF PERIODS
times compounded

TRY IT

Find the balance after 6 years on an account with 3.5% interest with a \$4,000 principal compounded monthly.

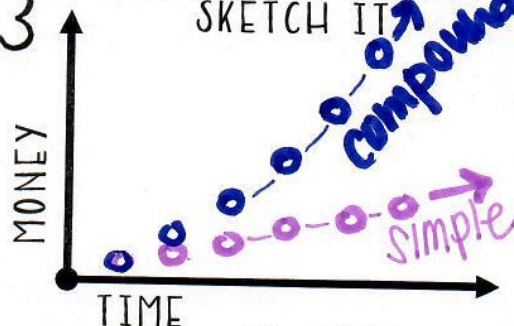
$$A = 4000 \left(1 + \frac{0.035}{12}\right)^{12(6)}$$

(calculator)

\$4,993.20

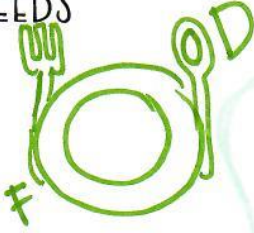
use order of operations!

SIMPLE VS. COMPOUND INTEREST SKETCH IT



NEEDS

WANTS



WANTS

debt is owed or due for a product or service that's already purchased (IN THE HOLE!) *negative*

asset owned. Valuable that holds its value (or increases in value) over time. examples: land, houses, some equipment

A card **debit card** (usually issued by your bank to go w. a checking acct.) that takes \$ right from your acct. to buy things

Credit Card The payment is made for you, but you then owe it back to the credit card company (with interest if you wait today)

Cash back When you pay w. a debit card, you can sometimes add to the bill + get it back as change. (Get cash without an ATM)



Patience Pays!
Any time you can save up the \$ BEFORE making a purchase, you'll pay less than if you pay off credit slowly
DELATED GRATIFICATION

Many people don't realize how long a debt will follow them. It gets harder and harder to dig out as interest accumulates. Debt grows automatically over time if you don't pay it off quickly!

managing spending

EXTRAS TO BUDGET FOR:

Before planning to budget \$ for certain purchases, be aware of these additions. These expenses may be added on top of the cost of goods / services.



tip When you receive service from a waiter, delivery person, or driver, you often give a % tip.

Sales tax most states collect a %

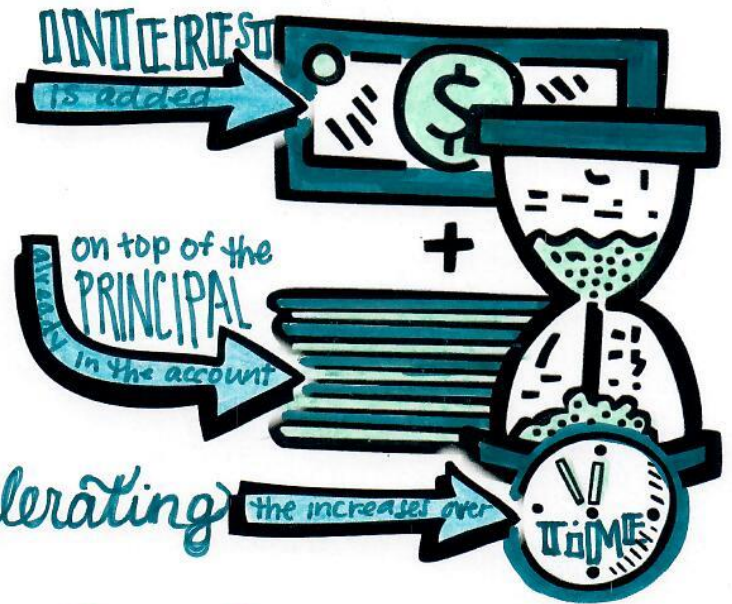
fees Some purchases incur additional fixed amounts

- EXAMPLE TIPS/FEEES**
- shipping
 - delivery fee
 - installation
 - tip hotel staff

Simple Interest:

$$I = p \cdot r \cdot t$$

where I is the interest accumulated, p is the principal (starting) amount, r is the interest rate in decimal form, and t is time in years. The interest you have earned is then added to the principal at the end of the year.



Compound Interest:

$$A = P \left(1 + \frac{r}{n} \right)^{nt}$$

where A is the final value, P is the principal (initial value), r is the interest rate in decimal form, n is the number of times per year that the interest is compounded, and t is the number of years invested.

Calculating interest

Interest can work ...

Kye sets up a small investment at age 22 to send just \$3,000 of his income into a fund that earns an average of 10% interest (compounded monthly). How much money will be in this account when he wants to use the money when he turns 70?



$$A = P \left(1 + \frac{r}{n} \right)^{nt}$$

$$A = 3000 \left(1 + \frac{.1}{12} \right)^{12(48)}$$

$$A = 3000 (1.008\bar{3})^{576}$$

$$\approx \$357,351.83$$

Now find the difference in the final value if he had not done this until he was 30. Draw an emotion on the face to represent how you feel about the difference.

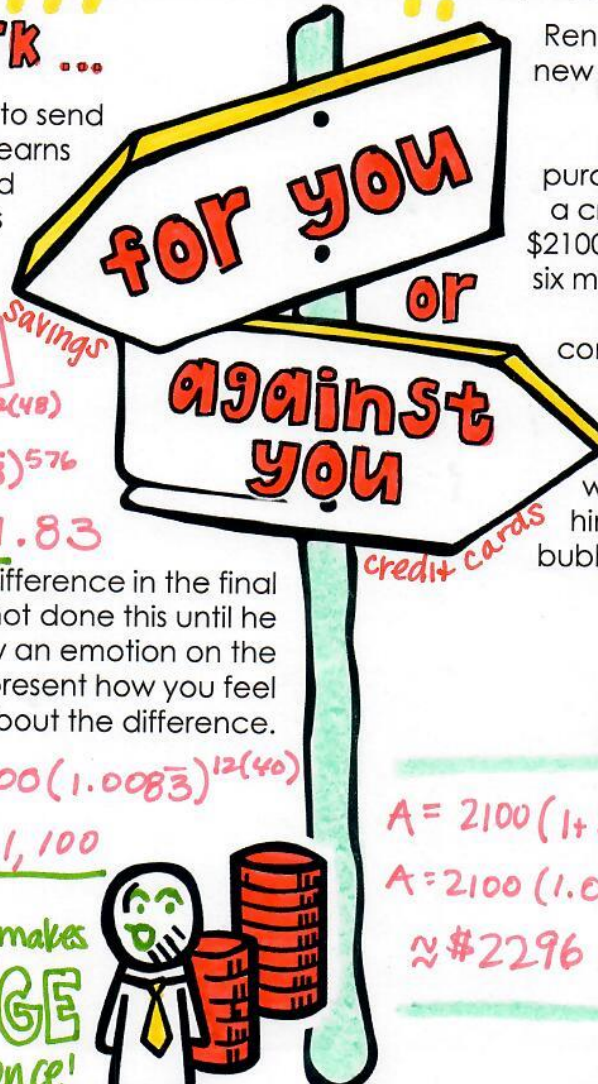
$$A = 3000 (1.008\bar{3})^{12(40)}$$

$$\approx \$161,100$$

Time makes a **HUGE** difference!



Wow



Reno wants to furnish his new apartment, but only has gotten one paycheck so far. He purchased furniture with a credit card, spending \$2100.00 total. He waited six months to pay this off, and the credit card company charges 18% interest, compounded daily. How much will that furniture cost him? Fill in the speech bubble with his thoughts upon realizing this.



$$A = 2100 \left(1 + \frac{.18}{365} \right)^{365(.5)}$$

$$A = 2100 (1.00049)^{182.5}$$

$$\approx \$2296.39$$



Myah went to trade school and earned a small salary as an apprentice during her education. Now, she is starting her career as an electrician without any debt. She will earn \$55,000 per year as her starting salary. She assumes that 30% of her income will go toward taxes, retirement, etc. She then will put 10% of her take-home pay into savings. Knowing that she will have other expenses, she plans to spend only 25% of her net pay on housing. How much should she budget for her rent/mortgage?

Income + Expenses vary - must keep proportions

2 compare it

Jen accumulated \$45,000 in college debt. Now, she is starting her career in IT support. She will earn \$65,000 per year as her starting salary. She assumes that 30% of her income will go toward taxes, retirement, etc. She then will put 10% of her take-home pay into savings. What percent of her net pay would she have to budget for housing to be Myah's roommate, splitting the rent/mortgage equally?

1 calculate it

10% of income going to savings = more money, but also must pay off debt. will have less for wants/spending until paid off.

10% going to savings is less overall \$ for her, but she's been earning longer + has no debt. Rent budget is higher % of income for her

deduct: $.3(65000) = \$19,500$

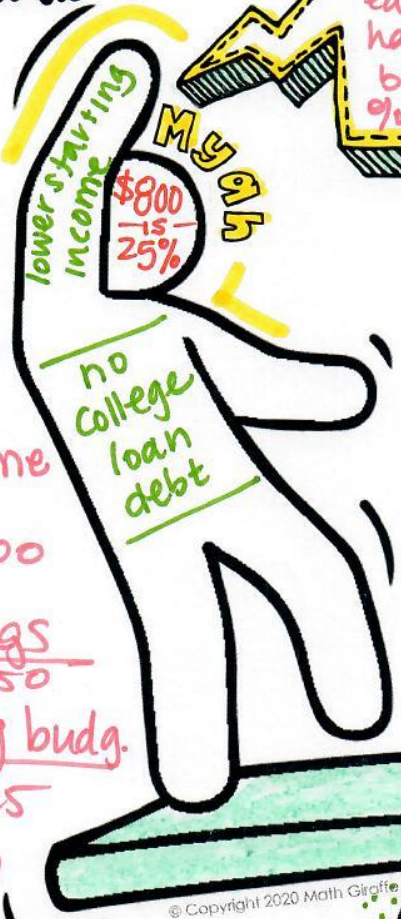
deduct $(.3)(55000) = \$16,500$

take-home pay $\$38,500$

Savings $\$3850$

housing budg. $\$9,625$

$\approx \$800$ per month



\$800 housing /month budget:
yearly: $9600 = x(45500)$
 $\approx 21\%$ of pay

Food budget is often around 11% of a person's total take-home pay. Find Jen's food budget and Myah's food budget.

MYAH: $.11(38,500) = \$4,235 / \text{year} = \$352.92 / \text{month}$

JEN: $.11(45,500) = \$5,005 / \text{yr} = \$417.08 / \text{mo.}$

balancing income and expenses



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withheld...

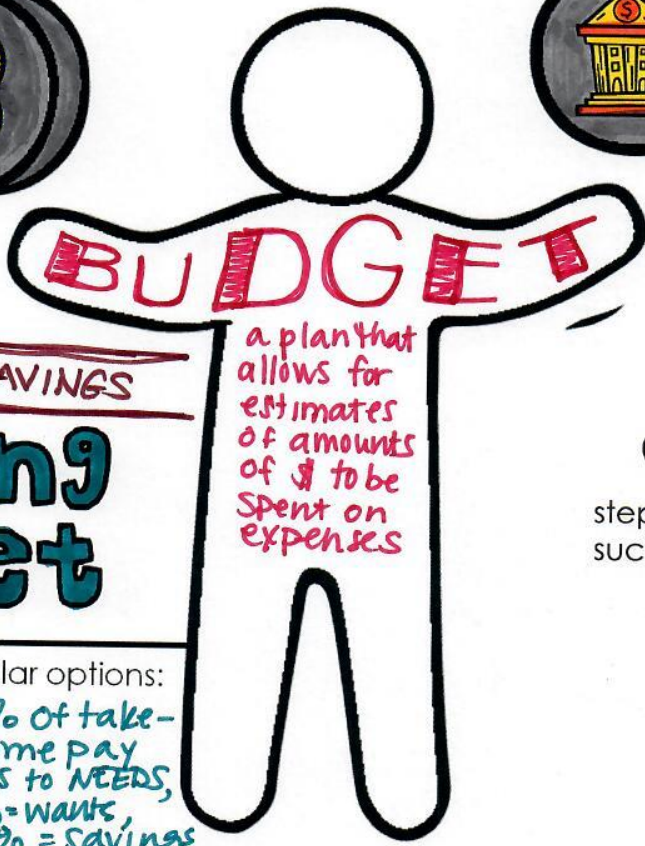
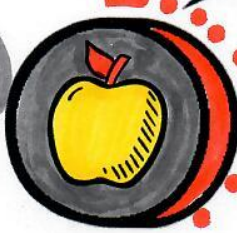
Money for taxes, health care, and other deductions is taken out of gross pay before receiving the paycheck. Leave these off to the side + budget based on Net pay you actually receive.

- ## NEEDS
- food
 - work clothes
 - home
 - utility bills
 - medical

- ## WANTS
- t.v. service
 - decor / furniture
 - shoe collection
 - meals out

- ## SAVINGS
- emergency fund
 - paying off debt
 - savings acct.
 - retirem. plan.
 - investm.

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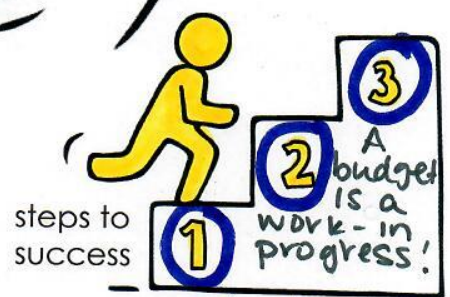


These 3 main core categories organize your budget plan. Choose a % breakdown, then label any sub-categ.

a plan that allows for estimates of amounts of \$ to be spent on expenses

NEEDS / WANTS / SAVINGS

Creating a budget



two popular options:

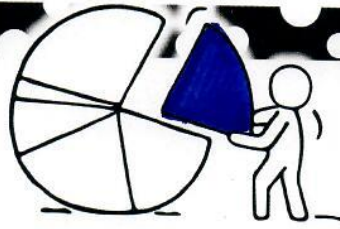
50% / 30% / 20%
plan

50% of take-home pay goes to NEEDS, 30% = wants, 20% = savings

70% / 20% / 10%
plan

If you can't do the 1st plan due to low income, try making ends meet with this budget plan, then re-adjust when you can.

- CALCULATE** take-home pay + break down core categories by %.
- CHOOSE** an accountability system (app, paper chart, envelopes...)
- REVISE** Revisit + re-adjust. Make changes to help it work better.



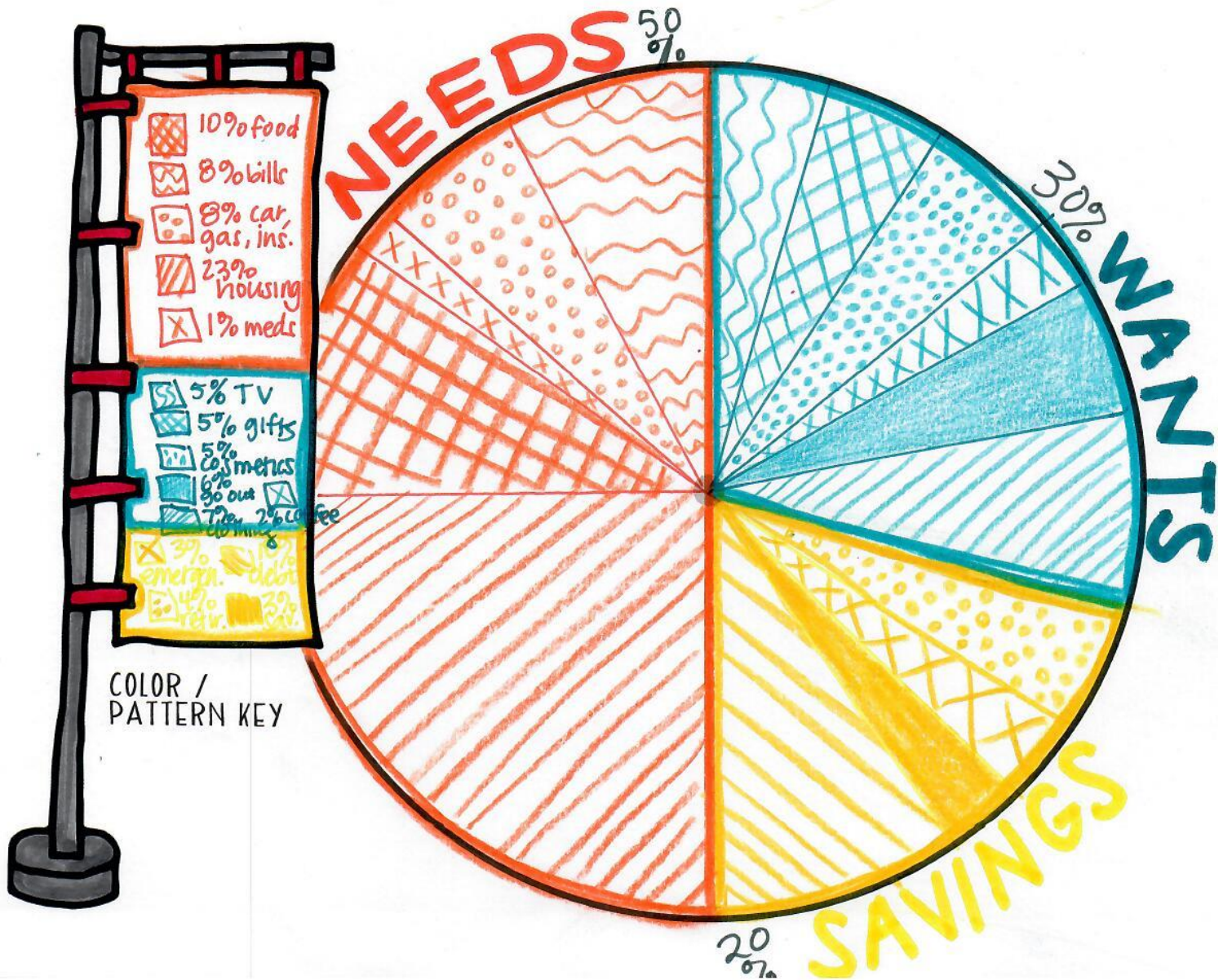
- food
- TV
- cosmetics
- clothing
- gas
- coffee
- entertainment(out)
- gifts
- bills
- housing
- medicine
- savings
- emergency fund
- debt payoff
- clothing

building a budget

First, form three large segments (needs, wants, and savings).
 Use light color shading to identify each, and label each with a percent.
 (Make sure it adds up to 100% to represent total take-home pay!)

brainstorming categories

Then, break each of your three categories into smaller sub-segments. You decide what smaller percent each should take up (food, bills, gas, entertainment, etc.). Within the correct color group, add pattern to differentiate these segments and label each in the key beside the graph. Take your time. Don't miss anything that is important to you! Research costs and verify that your budgeting plan is practical. Test real-life amounts of take-home pay to see if your dollar amounts would actually work based on the percentages you chose.



KEY FACTORS...

TIMELINE
 length of time greatly impacts the growth. Long-term dips will not have as much effect as the time-value of the \$. If short-term, you may choose diff. options

goals
 What are you planning for? An investment geared toward having a down payment for a home will need diff. strategy than a long-term plan to save for retirement.

% RETURN
 Some types of investment may have higher potential for growth reward, but also can have high risk of losing the \$ you invested. Avg. % return has a big impact.

the process of putting \$ to work by directly/indirectly buying assets+holding them as their value grows over time

investment

Label and explain.

- KEY FACTORS TO UNDERSTAND:
- TIMELINE
 - GOALS
 - % RETURN
 - RISK
 - GROWTH

Buying stocks, real estate...

like watering a money tree

Avg. annual return

Investm.: 6-10%

Avg. Annual Return for savings: 0-2%

My investments in stocks, real estate, + my retirement acct. lets me plant a tree I can harvest from later on after it grows.

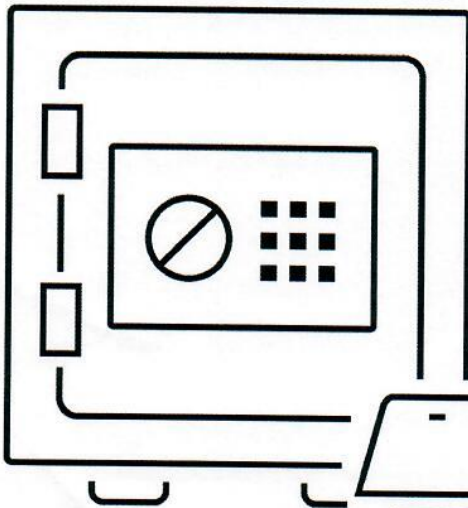
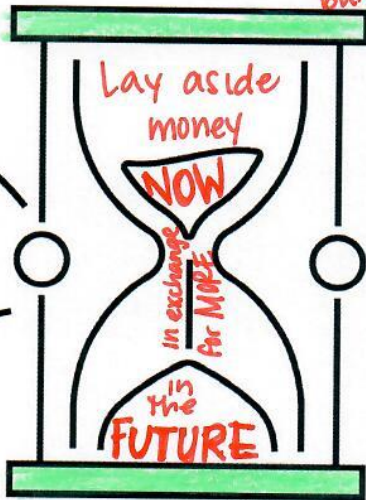


Unlike a savings account, investments come with RISK. In exchange for the potential for more growth, the investor accepts the possibility of losing \$\$. "High risk, high reward"

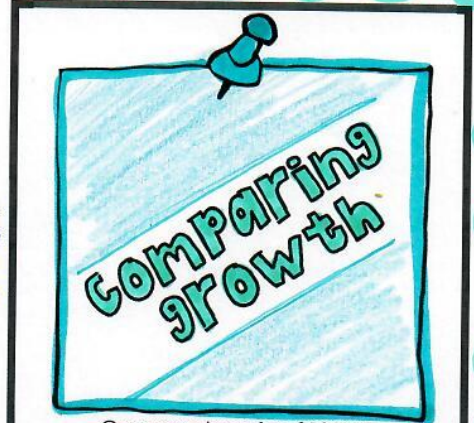
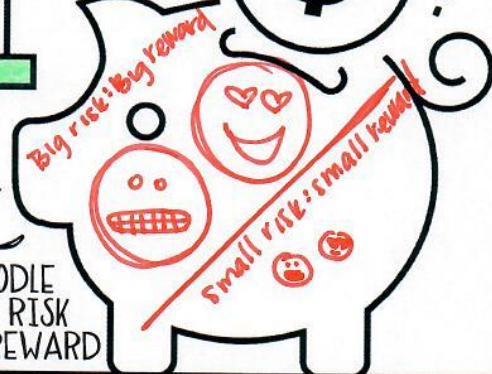


Many investments have growth like this in short term: but over a longer time span, they have potential for exponential growth.

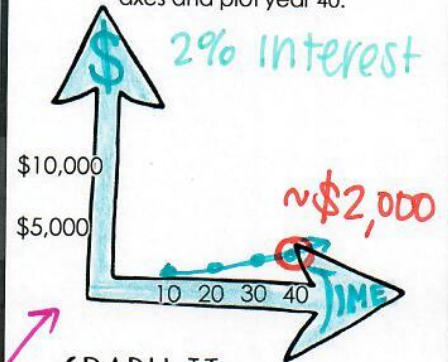
Investment values die periodically but over LONG periods of TIME trend UP...



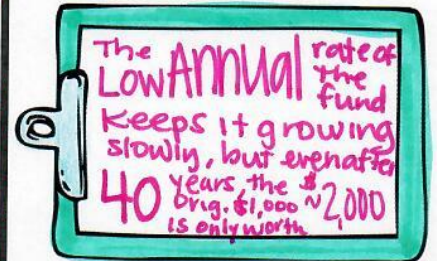
DOODLE IT: RISK & REWARD



Compare keeping \$1000 in savings gaining 2% interest with investing \$1000 in a fund averaging 8% annual return. Label axes and plot year 40.

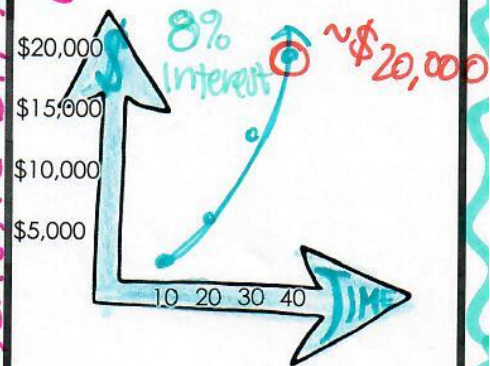


GRAPH IT

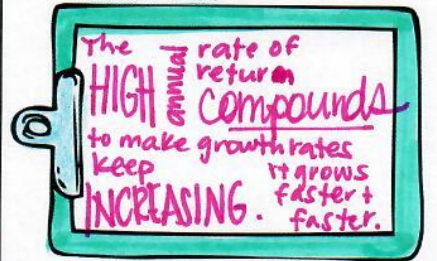


EXPLAIN IT

WOW — DRASTIC DIFFERENCE



GRAPH IT



EXPLAIN IT

STOCKS

BONDS

Small SHARES of OWNERSHIP

in a company that can be bought and sold.

Investor earns partial (1%) distributions of profit/loss

like

lending your  to the government

Large entity (gov / lg. company) then pays it back w. interest. You make profit by letting them use your \$.

Full set of stocks (an entire INDEX)

Automatically well diversified.

COLLECTION of investments managed by EXPERTS

strategic portfolio of stocks, bonds etc.

It's wise to also hold some cash, because it's low growth, it's a low risk.

Grab a nice variety!

A strong portfolio blends a few of these.

Color code each segment, draw icons or illustrations to represent each type of investment, and explain.

MUTUAL FUNDS

INDEX FUNDS

tangible assets w. value that increases over time.

- land
- house
- gold

types of investment

diversification for good **GROWTH**, combine low + high risk holdings in your investm. portfolio. Grow high % but minimize **RISK**.

PROPERTY

STOCK THE MARKET

Shares (small pieces of ownership) in different companies are bought + sold. Investors can earn profit or can potentially lose money.

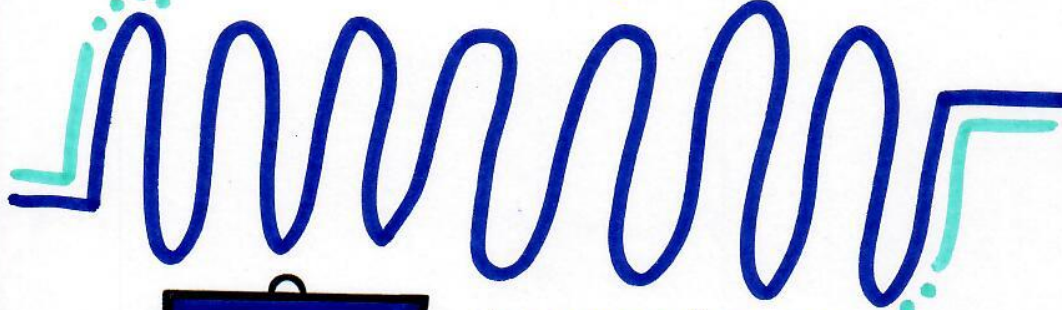


A business sells off pieces of ownership (partial shares) in

RAISE MONEY

the company to investors to get \$.

by giving up a fraction of the business



Investors will strategically buy + sell their shares at the right time, trying to predict when values

BUY & SELL STOCKS to try to earn profit

INVESTORS will rise/fall. (often through a broker).

CAPITAL LOSS

When you sell stock, price is lower than what you paid (oops)

CAPITAL GAINS

When you sell stock, price is higher than what you paid

Investors are continually buying + selling. Some hold on to stocks along time.

GOAL: Buy low, sell high. —> (YAY)

Buying + selling of the shares happens in



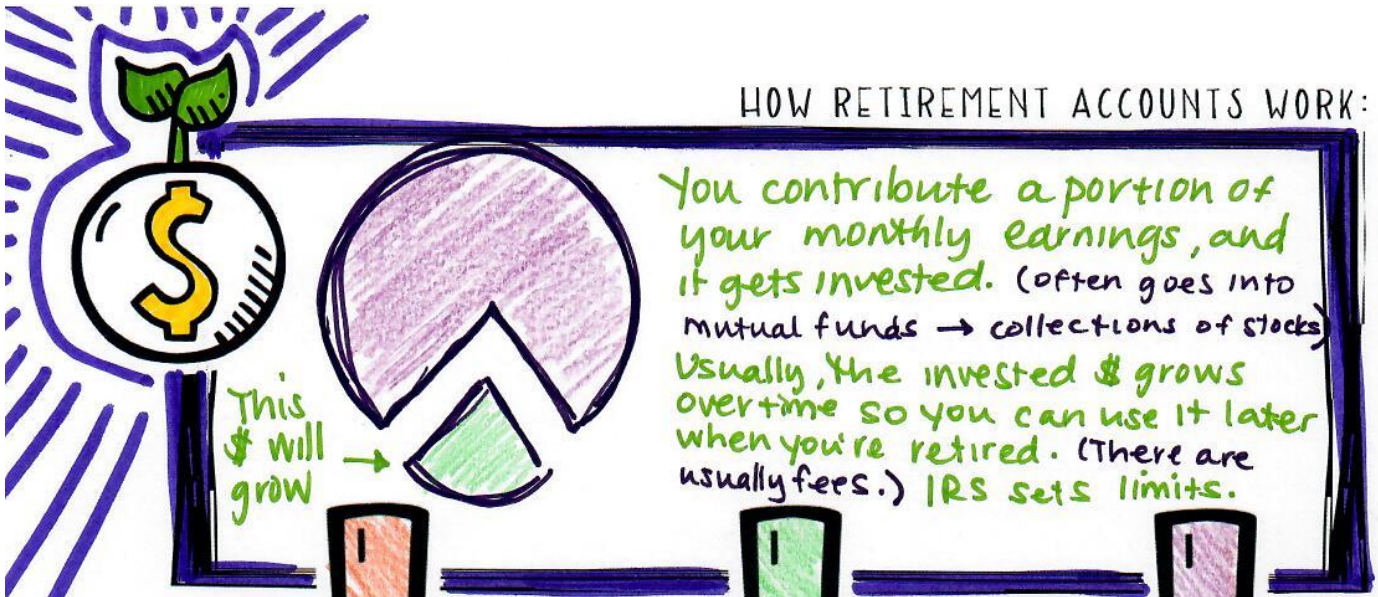
STOCK EXCHANGE

Prices + values within the market constantly rise + fall. When a stockholder can sell the share(s) for more than he/she paid, = profit

SELLING STOCK



HOW RETIREMENT ACCOUNTS WORK:



Workplace Acct.

401(k)

You contribute a portion of pre-tax pay to get invested.

Set up by:

employer

Benefits:

→ tax deferred
→ employer often matches contrib.

Choice in investing:

limited (+ fees can also be high)

Tax-friendly indiv. acct.

TRADITIONAL IRA

You choose a balanced portfolio of stocks, funds, bonds...

Self if no 401(k) or in addition

→ no tax annually on gains = fast growth
→ sometimes tax-deduct

make your own choices (or hire mgr.)

ROTH IRA

Taxed up front

Unlike the other 2 accts., where you pay tax on withdrawal, the ROTH IRA is taxed when you earn the \$ and put it into the acct. (Nice option if your income may be HIGHER later.)

VARIATIONS ON 401(K)

403(b): teachers, nonprofits

457(b): gov't employees

BOTH 401(K) AND TRADITIONAL IRA:

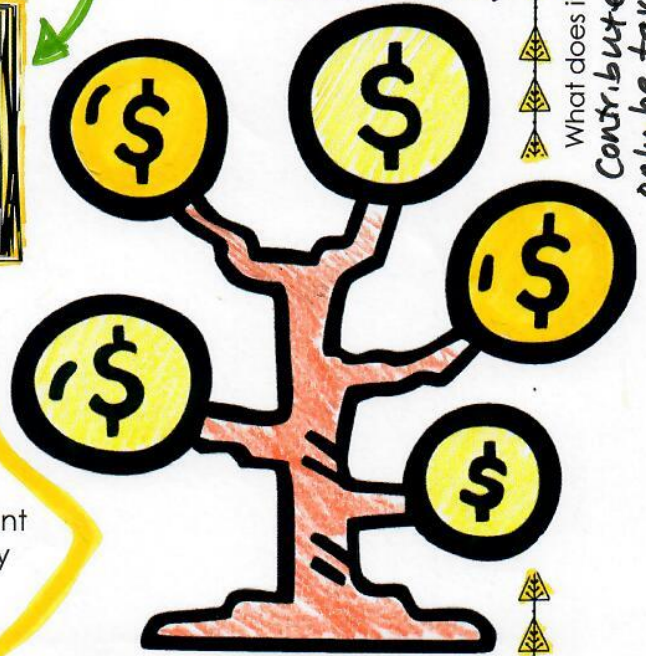
Before **TAXED WHEN RETIRED**

age 59½: 10% early distrib./withdraw fee, plus taxes...

After age 70½: **Required** to start taking withdrawals.

retirement

When you are saving money for a long period of time (to be used when you stop working-older), you can often benefit from investing it. There are a lot of options for retirement portfolios. Sometimes your place of employment has a plan set up for you as a benefit. Whether or not they do, you can also usually supplement or add your own IRA Individual Retirement Acct. instead (or in addition).



What does it mean for taxes to be **DEFERRED**? Ex: You earn \$50,000, but contribute \$4,000 of it to your tax-deferred 401(k) that year. You'll only be taxed on \$46,000 income (the difference)



Veronica's yearly salary is \$48,000. About much will she need to have in her retirement account if she wants to keep living with the same expenses she has now? (see chart)

She'd need a little more than a **MILLION** dollars!

NEARLY **half** OF U.S. FAMILIES HAVE A TOTAL RETIREMENT SAVINGS OF **\$0** *yikes!*

planning for retirement



Set a goal for yourself. By age 35, what amount do you think would be a good total retirement savings to have already accumulated?

\$480
WAS THE MEDIAN TOTAL RETIREMENT SAVINGS IN 2013 (AGES 32-37)

probably a few **HUNDRED** thousand

Scary...

Estimated \$ needed

Total Saved in Retirement Account	Yearly Income During Retirement
\$750,000	\$30,000
\$1,000,000	\$40,000
\$1,250,000	\$50,000
\$1,500,000	\$60,000
\$1,750,000	\$70,000
\$2,000,000	\$80,000
\$2,250,000	\$90,000

These numbers will vary and are not exact. The estimates are just a sample.



Estimate how much retirement savings you'd need to retire and keep your lifestyle if you earn \$85,000 as a salary by the end of your working years.

about

\$2,125,000

EVEN A **million** DOLLARS SAVED IS NOT ENOUGH TO KEEP PAYING THE BILLS THE AVERAGE AMERICAN HAS.

total saved

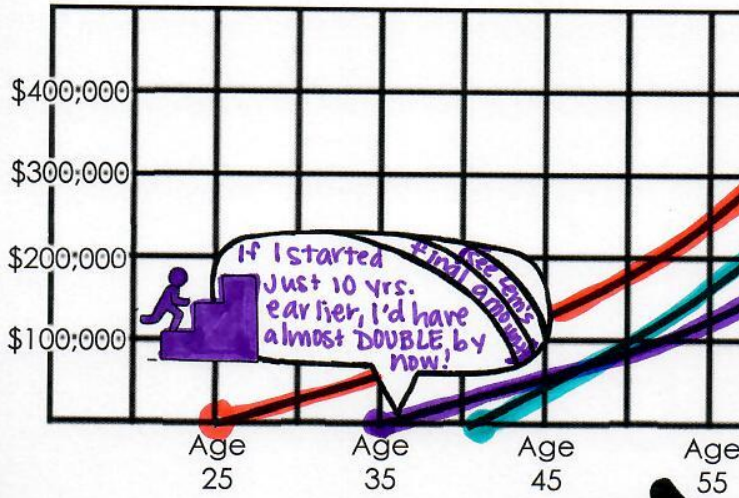
WOW!



Which of the facts in circles scared you the most? Color from darkest to lightest.

time value OF MONEY

VALUE



Time-value: Last 10 years is where Lem wins by such drastic amt

EARLY start = most \$

LATE & DOUBLE

normal contrib.

Note: Small difference in TIME = BIG difference in VALUE!

TIME

TIME VALUE: Although growth is slow (not steep) at first, it accelerates over time (curve).

Label the axes. In each pencil, give the details shown for each investor's situation. In the speech bubbles, explain the results and impact of the decisions he / she made. Color code to match the profiles below.

Use the graph to estimate the value in each account at age 65:

SuperStar
EARLY INVESTOR
\$450,000

Lem knows the time value of money. Every small amount he invests early is worth much more later on. His early start on his retirement account at age 25 pays off. He never had to put in more than he could manage easily, but he still ends up with the most value.

playing catch-up
INVESTOR WITH REGRETS
\$230,000

M'Kayla does what many adults do, setting up her investment accounts at age 35. Although the short delay does not seem significant, the fact that she started later than Lem means that she will never achieve the same value in her account.

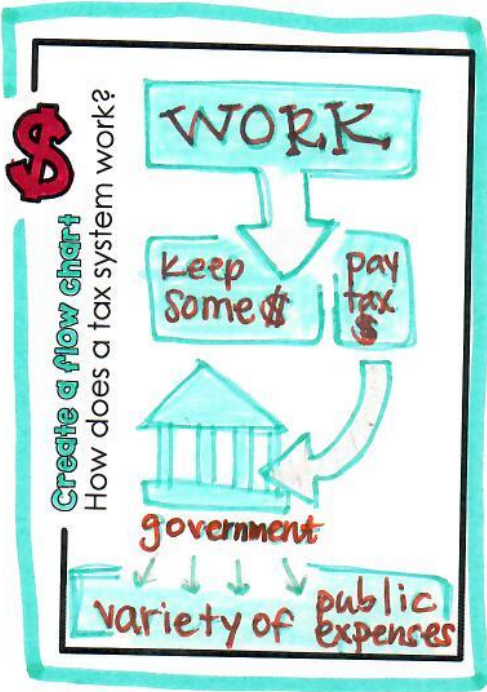
out of time
DOUBLING DOWN & STILL BEHIND
\$330,000

Roger realizes he is late to the game, and starts investing in his retirement at age 40. He puts in double what the others invest, straining his daily income just to make ends meet as he tries to make up for his delay, but he still cannot make up for the lost time to match what Lem did with small, easy contributions.

Each \$1 NOW is essentially worth MORE in the future.

WHY?
Potential for earning **INTEREST**

INFLATION
: increases in price + decreases in purchasing value of \$ over TIME...



- 7** Make a bulleted list
Types of Tax Americans Pay
- ✓ sales tax ^{on} purchases
 - ✓ income tax on wages earned
 - ✓ property tax on home/real estate
 - ✓ estate tax to transfer assets when die
 - ✓ payroll tax (% of salary)
 - ✓ excise tax (gas, alcohol...)
 - ✓ gift tax



Taxes: the big picture

Those people who earn **MORE INCOME** are taxed at a **higher %** than those earning **LESS**.

PROGRESSIVE

Explain what is meant by **Progressive Tax**

In the U.S., our income tax is under a "progressive" tax structure.

EXPENSES Outgoing money for costs -	INCOME in-coming money (earned) +
--------------------------------------------------	------------------------------------------------

a closer look at
Sales Tax

Sales tax rates vary throughout the country.

Try calculating sales tax: Find the sales tax and total cost of each purchase in a state that has 8% income tax. Remember to convert the percent to a decimal.

1 backpack

$$\begin{aligned} & \$67.99(0.08) \\ & = \$5.44 \text{ tax} \\ & = \$73.43 \text{ total} \end{aligned}$$



4 books

$$\begin{aligned} & \$18(0.08) \\ & = \$1.44 \text{ tax} \\ & = \$19.44 \text{ total} \end{aligned}$$



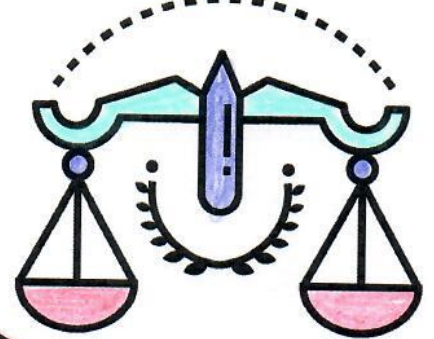
Depending on where a worker lives, income tax may have to be paid on a Federal level, a State level, and even sometimes a local level.

The agency responsible for collecting federal tax and enforcing federal tax laws for the United States is called the:

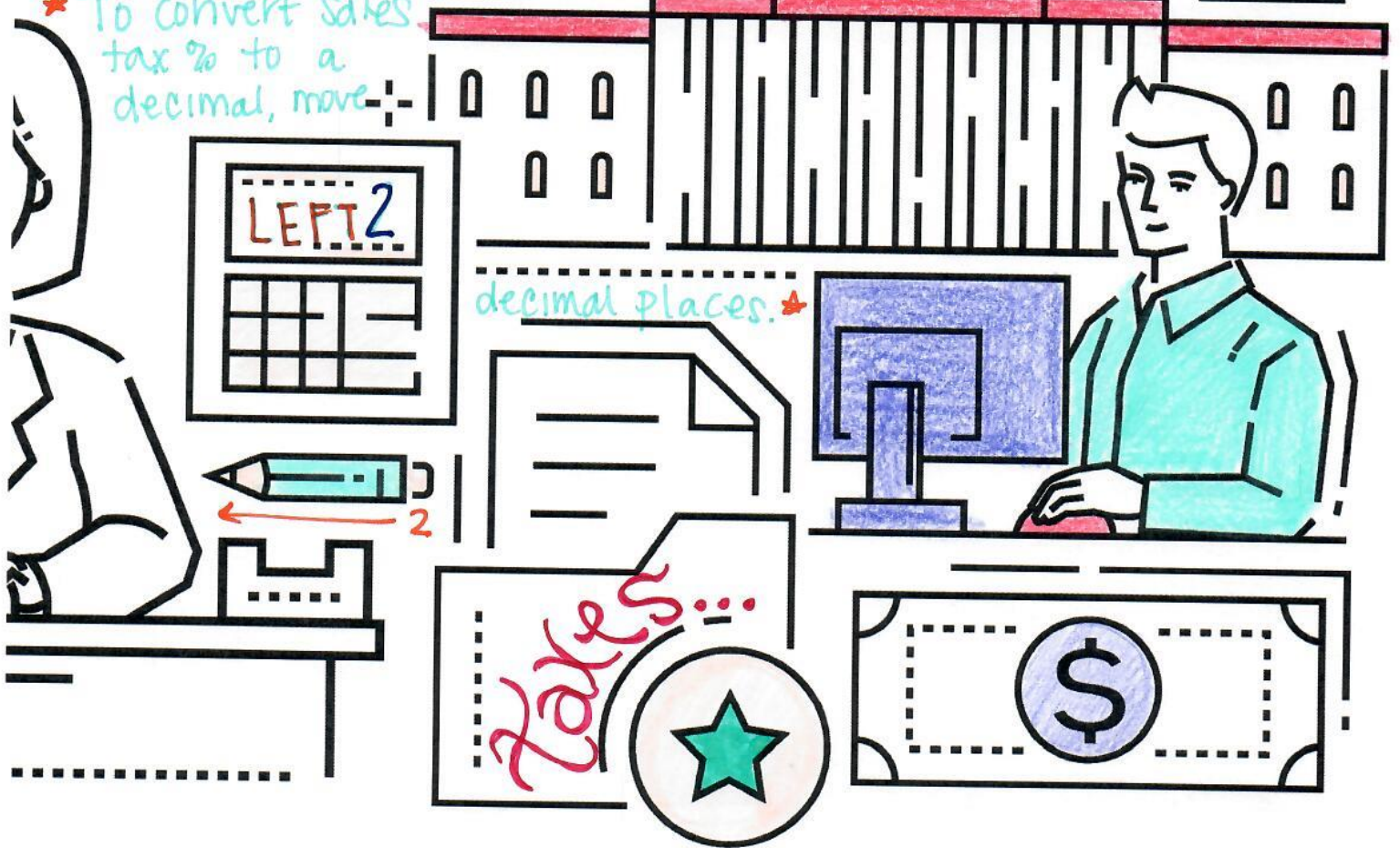
INTERNAL REVENUE SERVICE

To find 8% of \$67.99, multiply .08 by \$67.99

a closer look at
Income Tax

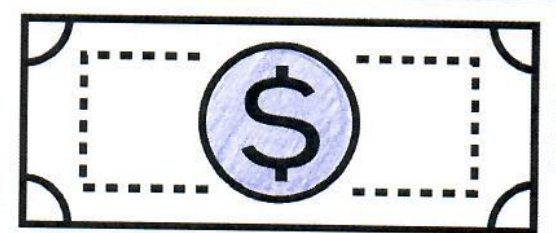


* To convert sales tax % to a decimal, move



decimal places. *

Taxes...



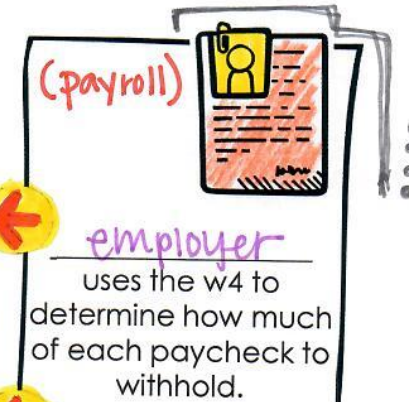
Define each, and label it in the flowchart.

- W2:** shows **INCOME** and **WITHOLDINGS** for the year - used to file fed+state taxes
- W4:** tells employer how much \$ to **WITHHOLD** from each paycheck
- 1040:** "file" your taxes... show all income, any deductions. See if you owe/get refund for the year
- paycheck:** wages come with a pay "stub" that shows \$ withheld.
- tax withheld:** part of pay you don't get... sent straight to gov. as taxes

Color code the words "employee" and "employer" as you fill in the blanks.



employee receives a pay stub showing how much was withheld



The money that was withheld is sent directly from the employer to the government.

Income taxes

You **OWE** money at tax time if...

the amount that your employer withheld + already paid in taxes is

LESS

than the tax responsibility shown on your 1040

You **RECEIVE** refund money at tax time if...

the amount your employer withheld + paid in taxes is

GREATER

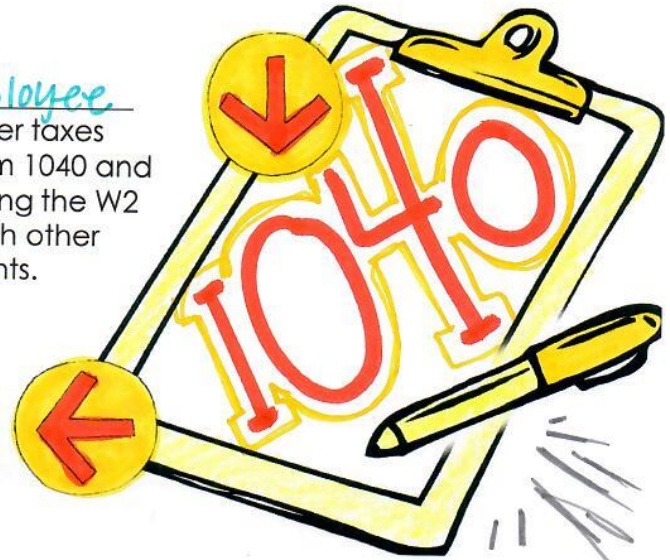
than your taxes due when you do a 1040

employee will either owe more money in taxes or receive a refund.

At tax time, the employer sends each worker a W2 that shows the year's income and withholdings.



employee files his/her taxes using form 1040 and referencing the W2 along with other documents.



Filing Your TAXES

withholdings

sometimes need to be adjusted and are based on:

- marital status
- withholding allowances claimed
- any exemptions
- additional amt. you want withheld

deductions

are amounts that can be subtracted from your income before calculating tax.
Examples:



dependents

a person who relies on the tax-payer for income, like a minor child



tax brackets & tax tables

Once you have calculated your taxable income and accounted for deductions, you use a chart called a tax table to determine how much tax you should have paid for the year.

Sample Tax Table

Note: The taxpayer is charged in increments, so in this example, the first \$20,000 of a married couple's income would be taxed at 10%, then their income from there up to \$70,000 would be taxed at 12% and so on. The real tax table you'll reference each year is much more detailed in order to calculate all this for you.

	Taxable Income (Single)	Taxable Income (Married Filing Jointly)
10%	Less than \$9,500	Less than \$20,000
12%	\$9,500 to \$35,000	\$20,000 to \$70,000
16%	\$35,001 to \$70,000	\$70,001 to \$100,000
19%	\$70,001 to \$100,000	\$100,001 to \$140,000
23%	\$100,001 to \$145,000	\$140,001 to \$200,000
27%	\$145,001 to \$200,000	\$200,001 to \$300,000
32%	\$200,001 to \$500,000	\$300,001 to \$500,000

What is the top tax rate would a married couple filing jointly (together) have to pay on a taxable income of \$152,700?

23% max

What is the highest tax rate would a single person have to pay on a taxable income of \$41,250?

16% max

Explain this difference.

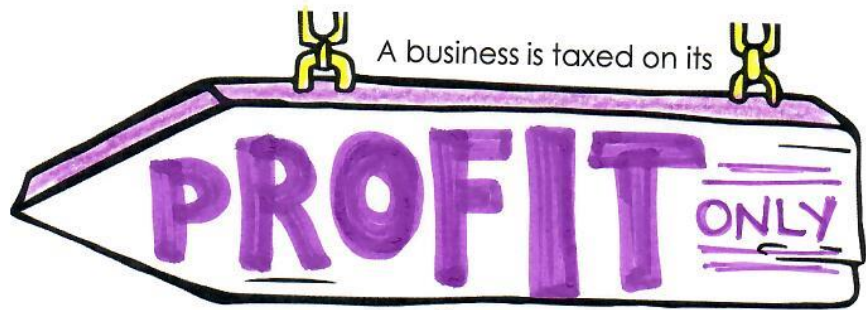
PROGRESSIVE tax:

Those with higher income pay a higher % in income tax.

Shade / color ALL the % tax rows that will apply to some portion of the married couple's tax calculation based on the note at the top.

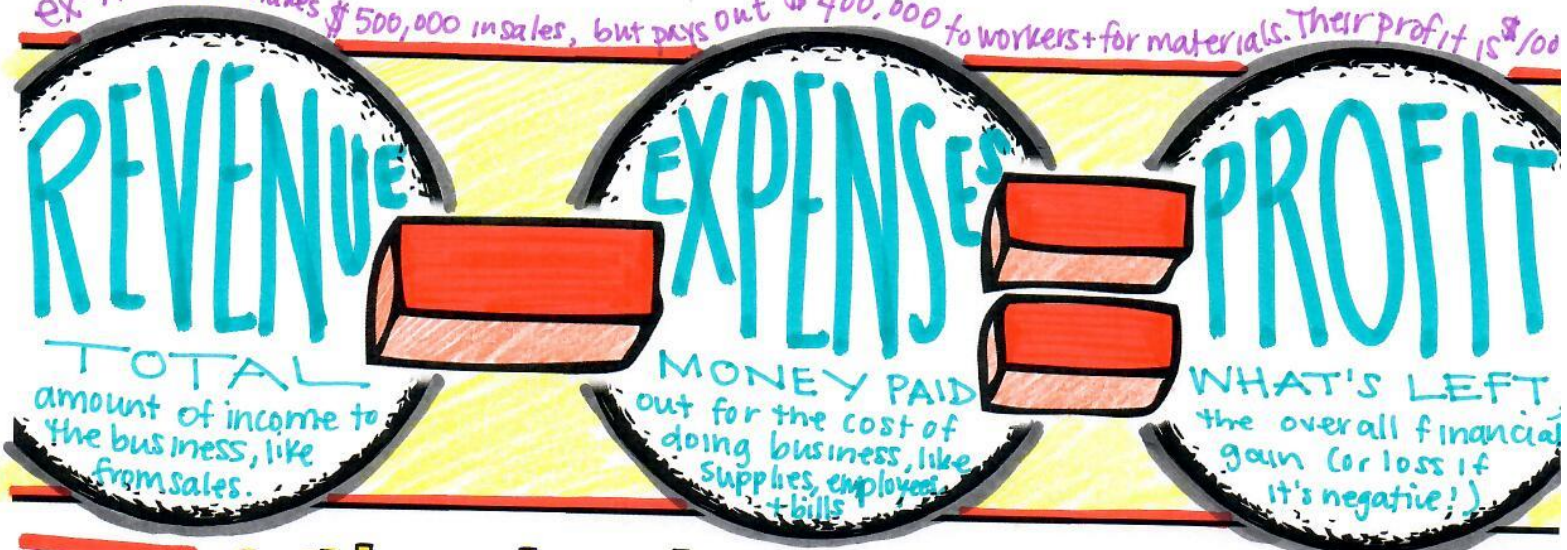
What about BUSINESS?

A business is taxed on its



rather than on income, like an individual person is taxed.

ex: A business makes \$500,000 in sales, but pays out \$400,000 to workers + for materials. Their profit is \$100,000



calculating profits

Classify each transaction as REVENUE or EXPENSE and color code.



List some ways a business can INCREASE profits.

- sell more products
- decrease expenses (ex: cheaper materials, lower bills, fewer workers)

What are some ways a business can net a LOWER profit in order to pay fewer taxes?

- spend more on ads
- hire more workers
- re-invest by adding inventory
- pay for training/give bonuses

 fees to website developer	 print cost for brochures about new offerings	 income from in-store customer purchases
 money collected from a brand for doing a sponsored post	 monthly fee for email marketing services to send emails to customers	 credit card transaction fees
 electric bills for office	 hourly wage paid out to receptionist	 color code

People FINANCIALLY from

PROTECT

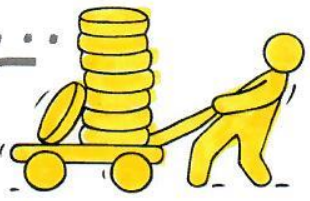
helps

INSURANCE

how it works



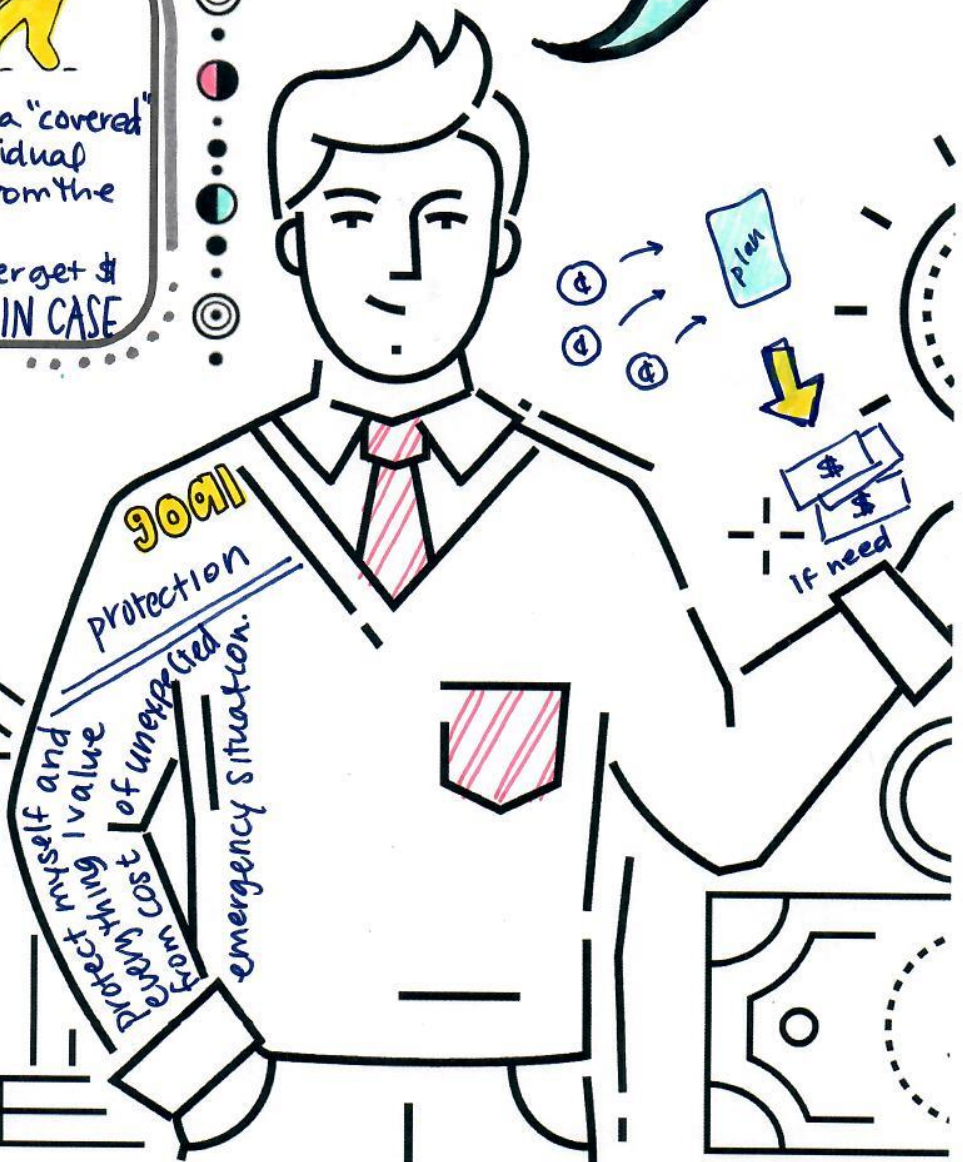
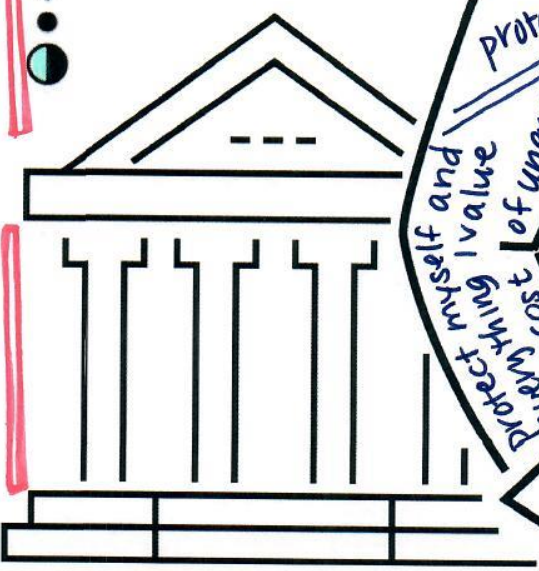
Individual & Insurance Co. have an agreement. Payments Individ. makes transfer a large portion of \$ burden for covered situations to the company.



In the case of a "covered" event, the individual will receive \$ from the insurance co. (otherwise, never get \$ back.) *JUST IN CASE

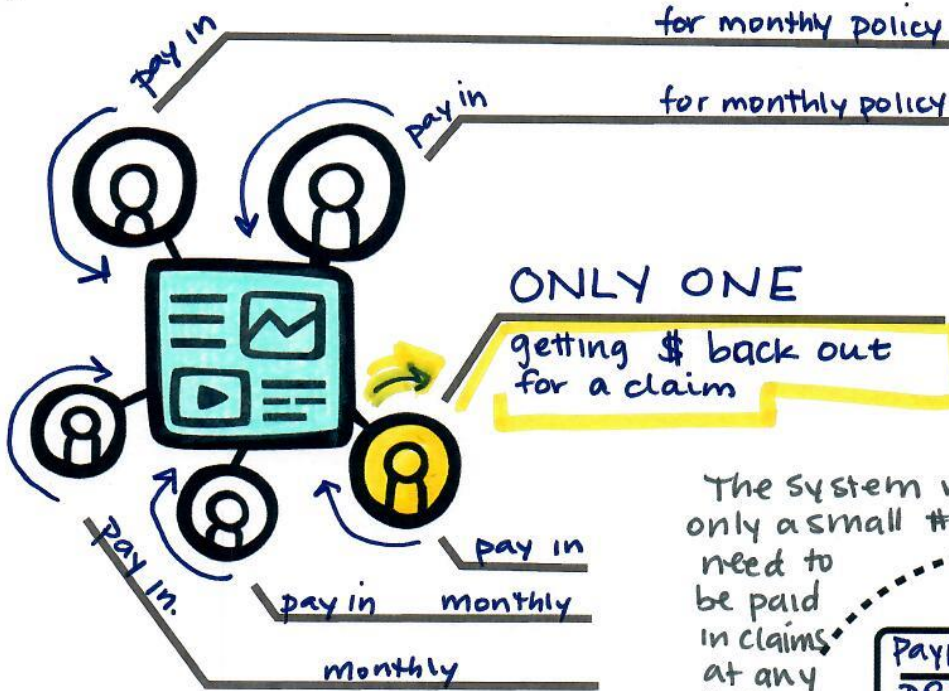
I choose to purchase insurance because...

I can afford the monthly fees, but I know I would not be able to afford the much higher cost of a catastrophe all at once. I'm better off knowing I have coverage, even if I never need it.



Group "Pool" effect

pooling money to minimize risk: Many people pay into insurance company plans.



The system works when only a small # of people need to be paid in claims at any one time.

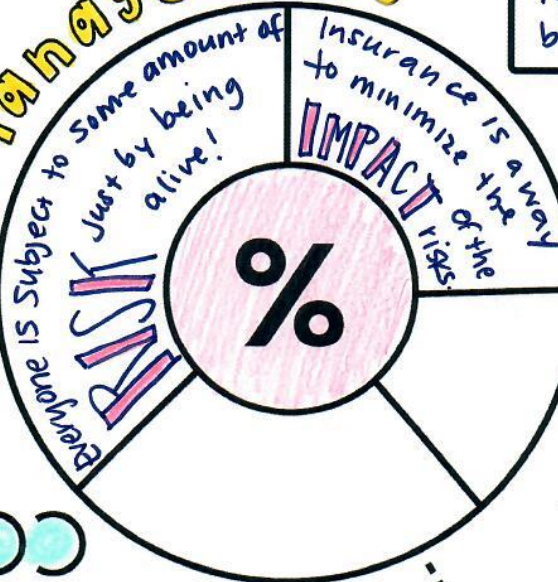
Payments (monthly PREMIUMS)

can often be paid AUTOMATICALLY by card / transfer!

Strategy and Probability

Insurance companies use large numbers of customers, along with **PROBABILITY** to minimize their own risk. It is not likely that a lot of people will make a claim at the same time, and they account for possibilities before setting prices.

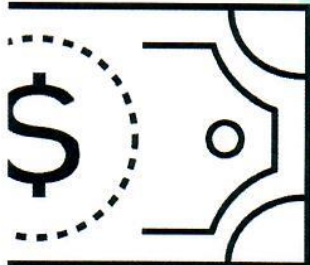
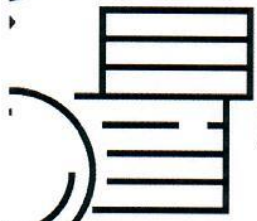
Risk Management



- You can insure...
- > home
 - > health
 - > life
 - > pets!
 - ... etc.



valuables



INSURANCE

Policy



CONTRACT that lays out your insurance plan w. what's covered and how much you'll be paid in the event of a claim

Premium



AMOUNT YOU PAY for the policy to be in effect (often paid monthly / annually)

Beneficiary



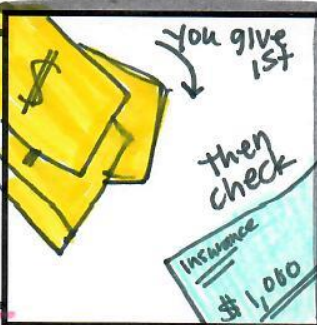
PERSON who receives the \$ (for life insurance, it's often the spouse/children)

term



TIME PERIOD that the policy covers

deductible



a specific amount your policy makes you pay **BEFORE** the insurance co. gives any \$ (will vary - known upfront)

Coverage



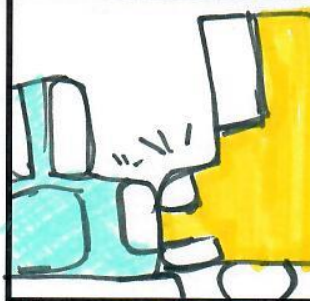
MAXIMUM amount you can receive in benefits if you do have a claim for a covered event

Risk



PROBABILITY of an insured situation actually occurring

Claim



an official **REQUEST** made to the insurance co. to notify them that a covered event **HAS** occurred + you want \$

Rider



ADD-ON clause you tack on to a policy to add more than basic package offers.

KEY TERMS



main types of INSURANCE



life & health

LIFE Insurance

HEALTH Insurance

TERM

WHOLE LIFE

Property & Casualty

AUTO Insurance

HOME Insurance

Other PROPERTY Insurance

DISASTER Insurance

MISC. Insurance (travel, pet, etc.)

protecting against

DEATH

SICKNESS

protecting

ASSETS

a little history



The concept of "insurance" was actually developed by the ancient Babylonians. The merchants sometimes bought insurance policies on purchased goods that they were still waiting for. If delivery did not occur, the insurance would give them back the lost money.

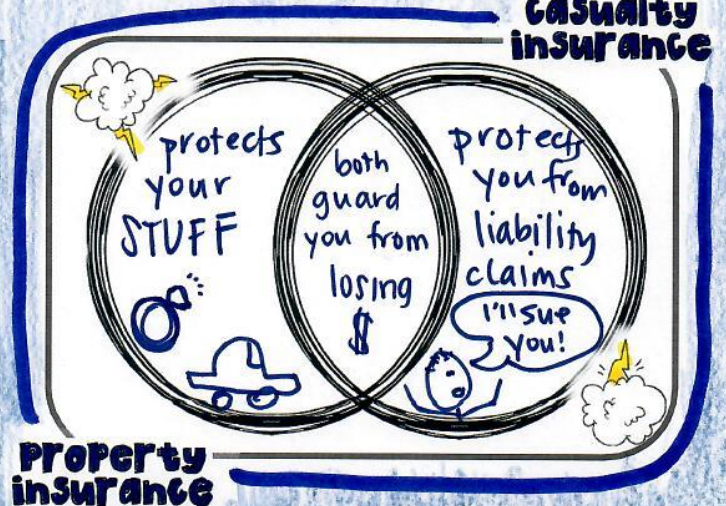
Life and health insurance policies protect people from...

financial loss due to illness, premature death, or other medical / health related costs and complications



(both property and financial)

Casualty insurance



Property insurance

home owners insurance

explain it

Homeowners buy a policy and pay into it consistently (ongoing). In case of a loss of home property or any liability claim related to the home / property, they're covered (get \$ back).

What happens if you make a **claim**: If the home or the belongings of the homeowner are stolen / damaged, etc., the homeowner makes the claim, the ins. co. investigates, + if all clear (no fraud), they pay to fix / replace.

list some factors That can impact the cost of your home insurance

- ★ crime rates + home prices in the neighborhood
- ★ construction material + square footage
- ★ distance to emergency services



Structure

the actual HOUSE building



Belongings

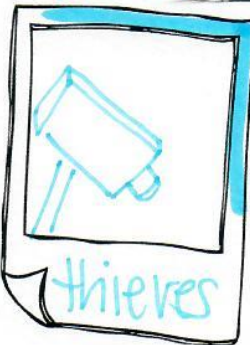
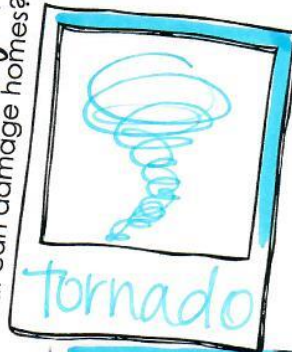
all your personal PROPERTY in the home



Liability

costs if someone else is hurt / HARMED on your property

doodle the dangers What can damage homes?



A landlord is the actual property owner + holds the property insurance.

But a renter should still have renter's ins. to cover belongings, furniture, etc. as well as any liability as a tenant. (there could be an accident that a renter is held legally and financially responsible for.)

renters insurance

THE AUTO insurance



types of car insurance coverage



collision coverage

reimburses you for repairs to your car after damage from an accident.



liability insurance

covers you when you | your actions are responsible for injury | damage.



comprehensive coverage

is for financial loss due to situations other than accidents (weather, theft...)



personal injury protection

covers medical costs for all people in the car, no matter who was at fault.



uninsured motorist coverage

kicks in when the driver who caused damage to your car didn't have proper insurance (this happens even if insurance is legally required.)



It's the law!

Most states **REQUIRE** all drivers to have insurance. Requirements for types of coverage vary by state.

Keeping your costs low:

- good driving record
- increase deductible
- shop around
- bundle w. home insurance



how it works

You pay your regular premiums for your policy, and in return, the insurance company will:
 give money to your beneficiary (people depending on you) when you die.
 If you die during the term.

How you benefit

You can be sure that your loved ones will be OK financially if you die and they no longer have the income or care you provide. \$ >> funeral expenses, debt, bills, etc.

How the insurance company benefits

They **PROFIT**

- ▷ investing the premiums
- ▷ charging more than they will have to pay in claims (They calculate each person's risk level!)
- ▷ not having to pay people whose policy lapses



Important for:

someone with spouse/children

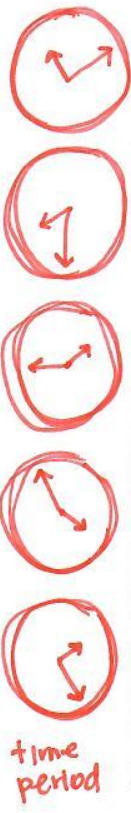


LIFE



insurance

Term



time period

- less expensive
- only in effect for a certain time period
- \$ is gone (your family does not get anything) if you don't die during the set term

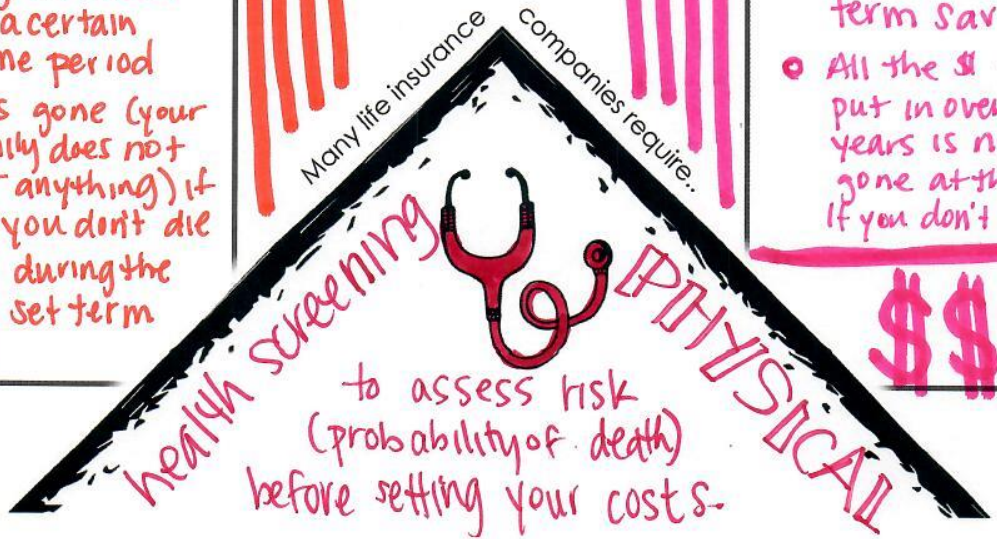


main types

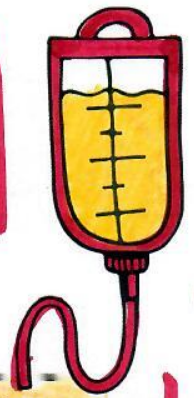
Many life insurance companies require...

Whole life

- more expensive
- includes long-term savings
- All the \$ you put in over the years is not lost! gone at the end if you don't die



HEALTH



insurance



Medical bills are the



cause of U.S. bankruptcies.



all HUMANS should get health insurance.

The COST of medical expenses after a serious injury, accident, or sickness can be EXTREME!

families can often share a plan + get coverage

students can often stay on parents' plan even through college depending on age.

everyone!

Who needs it?

What's Covered?

Label 3 types of care. Give examples.

SICKNESS



- ear infection
- strep throat
- cancer

INJURY



- broken bone
- pencil in eye
- back pain

PREVENT-ATIVE CARE



- checkups
- immunizations

Costs you may still have

in addition to your premium payments for the plan

OUT OF POCKET LIMIT

the most you'll ever have to pay in a year



DEDUCTIBLE

amount you'll pay out of pocket before insurance kicks in

CO PAY

amount you pay when you need a specific appointment, health service, or medication

Try it



Geena went in for a doctor appointment, and then they sent her for a diagnostic scan. Her insurance covers the entire doctor visit except for a \$10 copay. It also covers 30% of the \$350.75 bill for the scan before her deductible is met. (If her deductible for the year has been met, the scan will be covered 100%.) She then needs to pick up a prescription that has a total cost of \$75.50. With her insurance plan, she only pays a \$15 copay for medications. On this particular plan, the copays must be made whether or not the deductible has been met. Find the total cost of this medical situation if she has met her deductible for the year, and her cost if she has not yet.

BEFORE:

$$\cancel{\$270.53} + 10 + 15 = \$25.00$$

AFTER:

Sometimes, a full-time job comes with benefits that include health insurance. Your employer may have a

GROUP PLAN

that they pay a % of for employees to take advantage of. A portion of the cost is usually withdrawn from the paycheck if you participate.

cheaper less choices

Employer provided health insurance

If your employer does NOT offer medical insurance, or you want to supplement it with additional insurance, you can select your own plan instead.

- more choice
- keep plan if switch jobs
- sometimes gov't help

Individual health insurance

VISION
benefits can often be added on to a medical plan to cover glasses, eye exams, etc.

Medicare

for age 65+ or specific needs:

- A** INPATIENT (admitted to hospital) charges
- B** OUTPATIENT (not staying overnight) charges
- C** (alternate plan in connection with private ins. co.'s)
- D** PRESCRIPTION medications

Medicaid:

GOVERNMENT-aided health coverage for children's needs, low-income families, disability, + pregnancy to help those in need to pay for dr. visits, hospital bills, nursing homes...

HEALTH... INSURANCE...

HEALTH MAINTENANCE ORGANIZATION

- fewer options for providers 😞
- requires you to choose a PCP (primary care phys.) 😞
- often less expensive than PPO 😊
- requires referral from PCP to go to any specialist. 😞

HMO

Dental benefits are also often an

ADD-ON

to your medical plan to cover dental visits

PREFERRED PROVIDER ORGANIZATION

- more options for providers 😊
- network at 1 price tier, but can pay more for dr. outside network 😞
- more expensive usually 😞

PPO

PERSONAL VALUABLES

ex: jewelry, art, priceless stamp collection

Some people choose to purchase insurance plans for other things as well. Assets may be worth insuring if they are either:

- ➔ VALUABLE
- ➔ UNIQUE & irreplaceable

ex: liability if the pet hurts someone, pet accident/illness insurance, pet wellness ins.

PETS

SPECIALIZED insurance

ex: business equipment, like a printing press,

TOOLS & EQUIPMENT

valuable technology, power tools

PEOPLE and/or BODY parts

ex: pro sports players, celebrities, owner of a big company

VACATION BOOKINGS

to get refund on plane tickets, hotel, etc. if you can't go.

Label these types of "other" insurance. Give examples and/or reasons to purchase each.

\$18.50
monthly over
2 years =
~~18.50(24)~~
\$444.00

Do you think it's worth it?



Try it

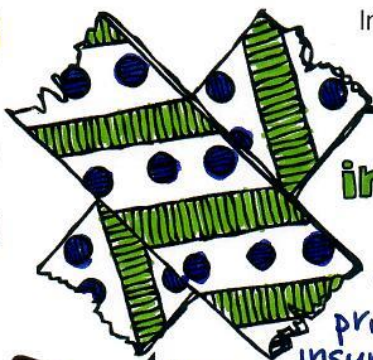


Sergio is purchasing a new phone that he is paying for over the next 2 years on a monthly payment plan. The clerk offers him a protection plan, which is like a small-scale form of insurance for it. He would add \$18.50 to each of his monthly payments, and would then get a free replacement, no questions asked, if it breaks within the first three years. What price would the phone have to be before he ends up paying more for the protection plan than the equivalent replacement phone would even be worth?

fraud & Risk

Imagine you work for the insurance company.

Color risk factors red. Color traits of an individual you can insure with less risk blue.



insurability factors

You'll decide how prudent it is to insure someone based on their **RISK PROFILE**, health + medical history, CREDIT SCORE, etc. Depending on the type of insurance they want to buy, you'll look at a variety of different factors to determine the probability of a claim, then set the price of the policy.



assess the risk



no speeding tickets



skydives and balloons



exercises daily



obese



5 minute commute



family history of heart disease



race car driver



alcoholic



home in flood zone

RISK factors

medical treatment + identity fraud

A lady who needs surgery but can't pay uses her sister's ID to get the procedure, since the sis does have insurance. Now company pays for it!

ILLEGAL deception with the goal of **\$ financial gain**
Define fraud.

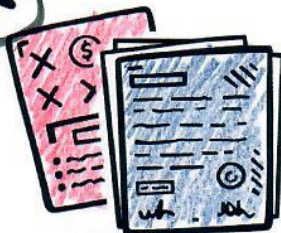
stolen automobile claim

A person claims that their car has been stolen, but police can't find it. Insurance pays for a new car, then it turns up at the vacation home!



JAIL
car crash + other car nowhere to be found

insurance fraud



Develop a sample scenario that would be fraudulent for each given situation.



house fire

A driver claims that another car hit them and drove away, but really they crashed into a metal guard-rail.

A home owner starts a fire intentionally in a room that needs renovations, puts it out, then files a claim for \$ to re-do the room.

* You get in HUGE trouble for these!

Many Americans take on debt to pay for their homes, vehicles, and other large expenses.

This strategy allows them to borrow the money to purchase something expensive, like a home, and then slowly pay back the debt owed on that loan in small payments each month.

Here's the catch: **INTEREST**
 You pay more in the long run than if you had saved up ahead of time to pay up front.

BAD-DEBT

You may think you're buying with options / flexibility, but sometimes you end up being unable to recover from the debt. This can start a bad financial cycle you are not able to bounce back from (always behind further...)

Bad debts either start as fine debt + are mis-managed, or they have high / variable interest rates.



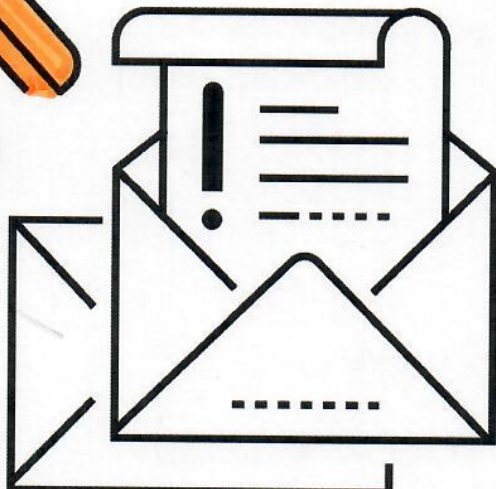
debt-to-income ratio = divide:

$$\frac{\text{total monthly debt}}{\text{monthly gross income}}$$

GOAL:

Keep your debt-to-income ratio less than **15%**

debt



Too much debt can **SPIRAL** into a really bad situation



NOT IDEAL

Try it: Calculate the debt-to-income ratio for a person who owes \$400 for debts each month and earns \$2,000 in gross monthly income.

$$400 \div 2000 = 0.2 \rightarrow 20\%$$

"3 CS" OF CREDIT

C **H** **A** **R** **A** **C** **T** **E** **R** honest? reliable? history of paying bills?

C **A** **P** **I** **T** **A** **L** \$ saved up? any assets as a backup?

C **A** **P** **A** **C** **I** **T** **I** **T** able to re-pay? Steady income? too many debts?

Lenders look at these to see whether they'll give credit.

Credit

receiving items / services before paying in full (promise to repay)

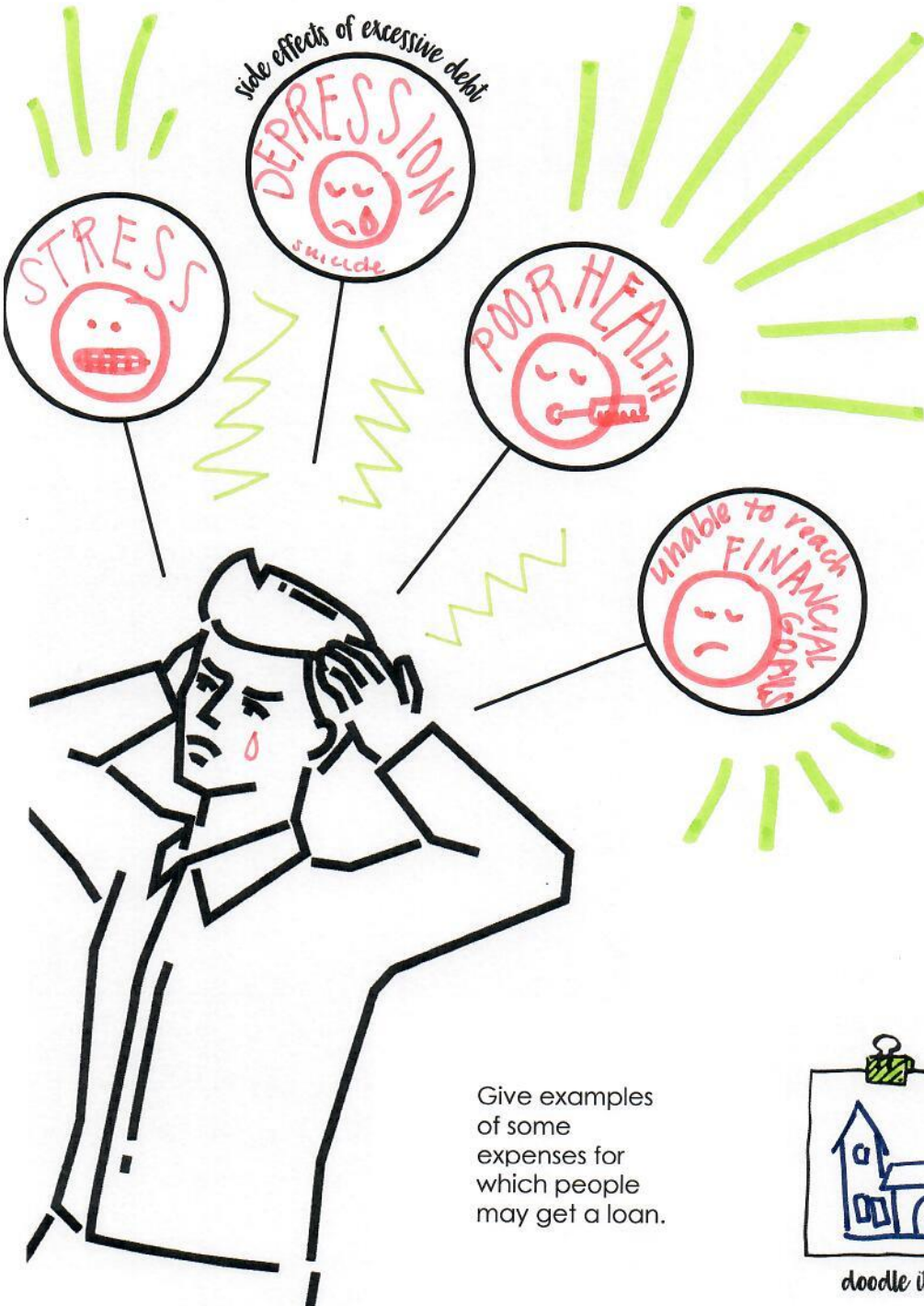
Why might a person want credit as an option?

can't afford total cost all at once, but can pay it monthly

Credit Score

max = 850
credit score

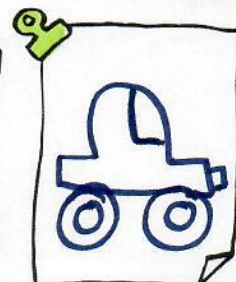
- Changes over time, depending on how you accumulate debt, pay bills
- Reflects your credit history and your ability to repay debt in a timely manner
- Is used by creditors to decide whether or not to lend you money



Give examples of some expenses for which people may get a loan.



doodle it.



How can you start to build credit?

- get student / secured credit card
- pay entire balance every single month
- pay rent + utility bills consistently

loans

How does a loan work?

- Application
- Credit review
- Interest + rate
- contract
- pay bills

↳ if not, **DEFAULT!** ::

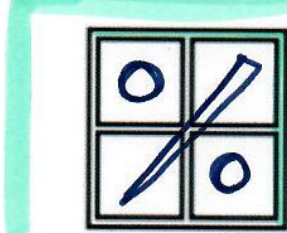
to BUY a HOUSE...

mortgage

Define each key term.

- borrow loan.
- down payment
- pay back a bit per month, plus interest (+ taxes + insur.)
- Own home as asset at the end of payments (often 30 yrs.)

Aiko is purchasing a \$215,000 home with a 15% down payment. Her monthly mortgage payment is estimated to be an average of \$1,150 for 30 years. This includes the taxes and insurance, as a mortgage payment generally does. How much will she pay in total? Write her down payment in one window, the sum of all her monthly payments in another, and the grand total in the front door.



down payment

a percent of the price of the home that you pay up front from

Savings to secure the purchase + get started



interest rate

a percent of the amount borrowed that is owed in addition to the principal (for use of the loan \$)

monthly payment

the amount you pay ea. month

- principal
- mortgage interest
- property tax
- homeowners' insur.



down

TOTAL



446,250



monthly

asset
in this case the house itself offered as loan security

collateral



fixed rate

Interest rate is set when you sign mortgage agreement. Pay the

SAME % interest throughout payments

2 types

adjustable rate

Interest rate will VARY over time. You'll pay a **DIFFERENT %** interest rate at different times as rates adjust.

RENTING

upfront: security deposit
monthly: rent, utilities,
and renter's insurance

VS.

buying

a home

upfront: down paym.
monthly: mortgage,
utilities, taxes, insurance



You own it.

Can be cheaper monthly

good if your house needs are temporary (easy to move)

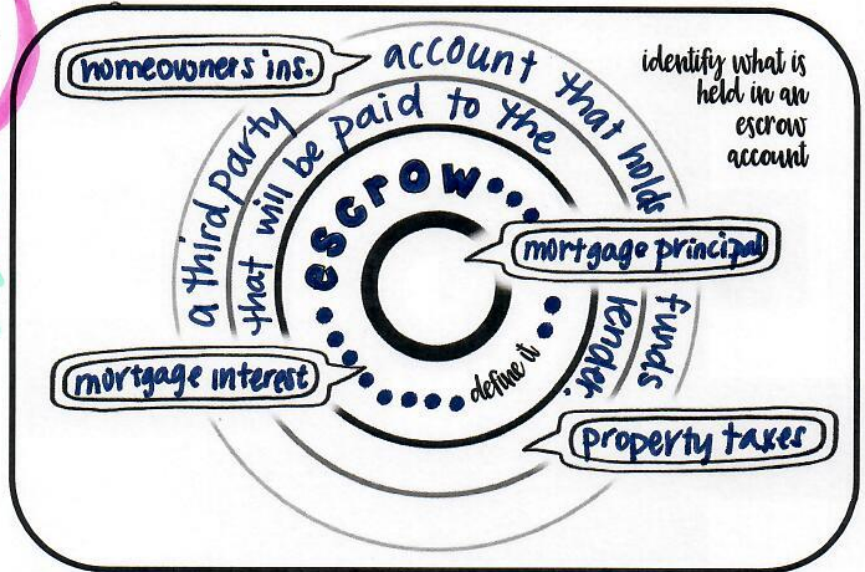
NO ASSET at the end!

PROS & CONS

No big down payment needed

owner pays for maint.

Cannot usually renovate much



Security deposit

money paid up front when you sign the rental agreement... If property is in good condition when you leave, you get the deposit back. If not, you lose it to pay for damage.

HOA fees

paid in addition to normal monthly costs in certain communities (for upkeep, services, landscape, neighborhood amenities, etc. that all residents benefit from.)

ASSET at the end? yes/no

NO YES

additional utilities cost for water, electricity, internet, etc. on top of monthly rent/mortgage

- CONS
- You own it at the end!
 - High cost up front: save!
 - Can make changes / renovate.
 - Harder to move out
 - Less temporary
- PROS &
- mortgage interest is tax-deductible
 - Responsibility for all mainten.

Landlord owns it.



define each term. in the blank spaces, write or doodle some differences between renting and buying. use one color for advantages, and one for disadvantages.

LEASING



buying

a car



a legal doc **title** identifying owner

Lease a Car:

You pay a monthly fee for the vehicle (more like renting).

LIMITATIONS:

- mileage may be limited
- insurance may be expensive

Pay for years of use, but at the end, no car.

ASSET
at the end?
yes/no



NO

Buy a Used Car:

- You will usually pay the entire cost of the vehicle up front.
- You will then have to anticipate maintenance costs that will vary over time, since the car is older.
- You are the owner of the car and will have it as an asset, but it is not as valuable as a newer car.

USED



often cheaper, but you usually lose out long term



inside the car sections, doodle some dollar signs that represent the different costs of each option. use size or quantity to represent the differences.

BIG BENEFIT

Buy a New Car:

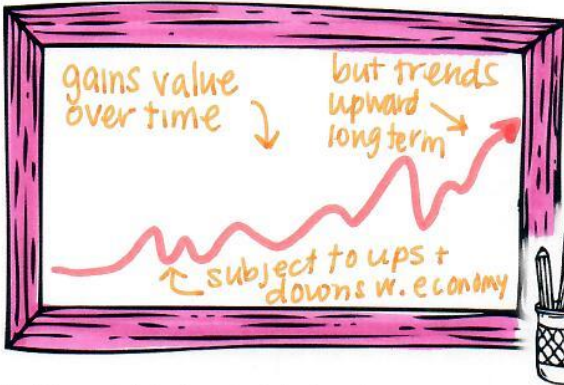
- You pay a down payment up front.
- You borrow a loan from the bank. You will then have to pay it back to the bank, a little per month. You will also have to pay them interest. The interest rate will depend on your credit score (a number that shows lenders how reliable you are at paying back debt). These payments will often last for around 5 or so years.
- You will own the vehicle as an asset when it is paid off at the end of that period of time. → YAY!

once your car is paid off, you can use its value as part/all of a down payment for your **NEXT** vehicle purchase. The dealer can resell; you get paid for car.



explain "trade in"

VALUE OF ASSETS OVER TIME

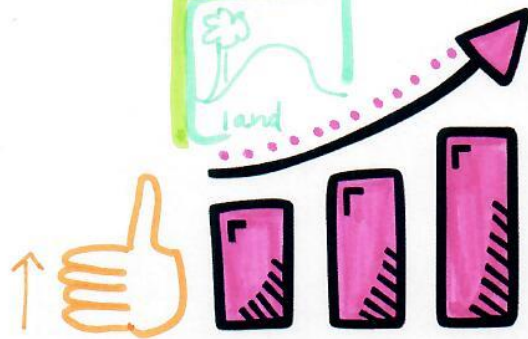


Real estate is a good investment that APPRECIATES over time



Sketch and label a graph showing appreciation of a house

INCREASE in value over time
appreciation

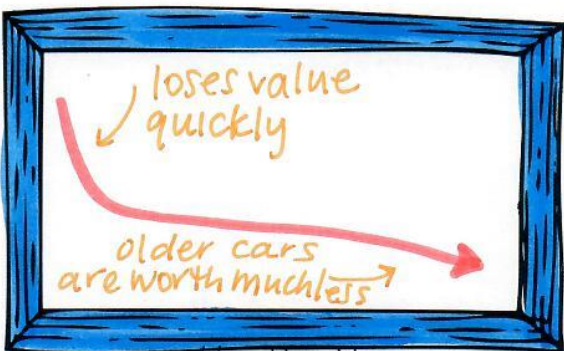


in the blank space, give examples of other things that appreciate and depreciate.

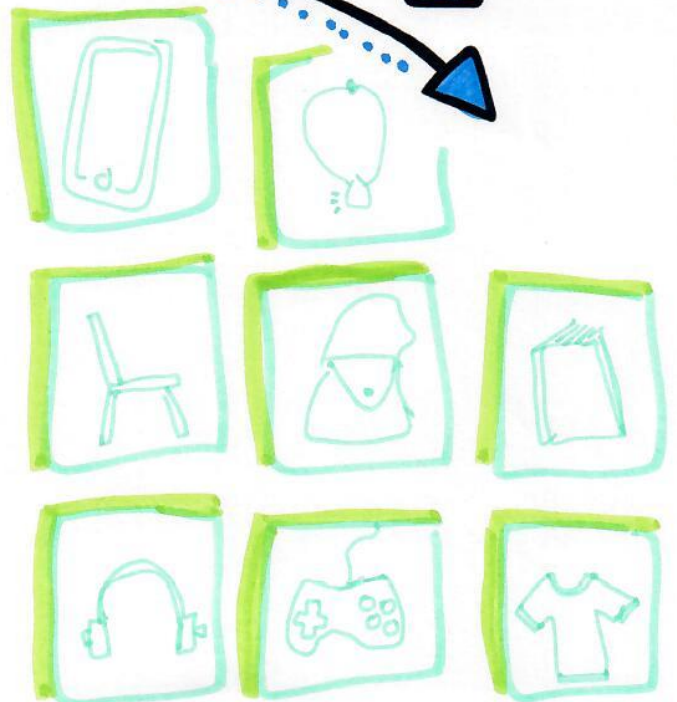
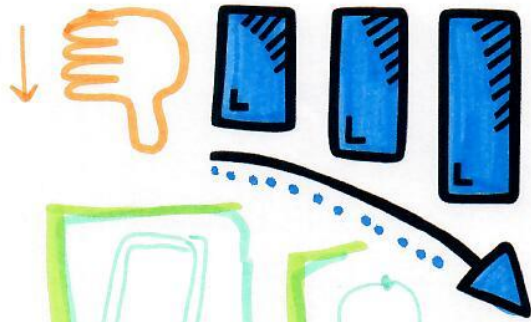
define it

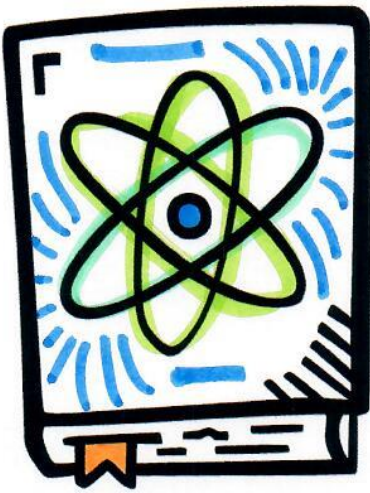
depreciation
DECREASE in value over time

Sketch and label a graph showing depreciation of a vehicle



Vehicles are NOT a good investment. They depreciate very quickly.





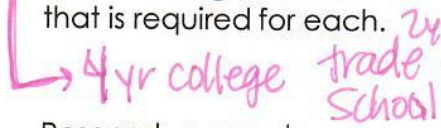
College Costs

Some students choose to go to a lower cost college, community college, or only enter a 2-year program instead of a 4+ year program to save money, or if it fits their plans best. Some students go to a 4 year university. The tuition costs can really add up.

Draft up two different career plans that interest you.

science/engineering **TEACHER** or **electrician**

Next, investigate the education that is required for each.



Research a sample college tuition schedule to estimate the costs of your plan, or write up the alternative paths that you may take.



In order to pay for college education, many students apply for loans. A parent often has to cosign and be accountable, since students may not yet have credit built up.



Career

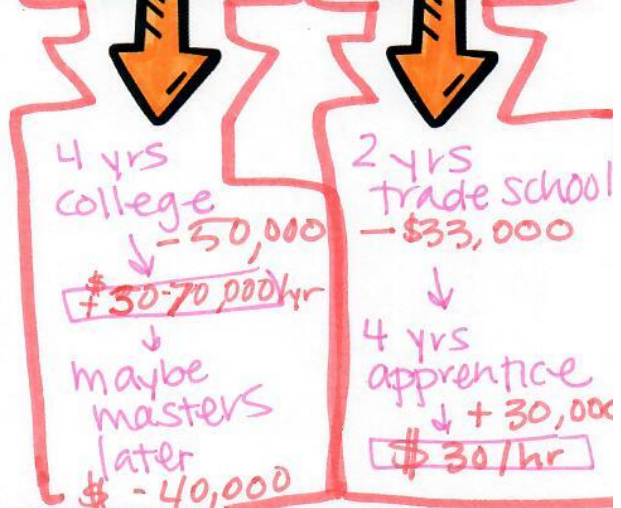
DIFFERENT JOBS NEED DIFFERENT EDUCATION...

Plan A

Plan B

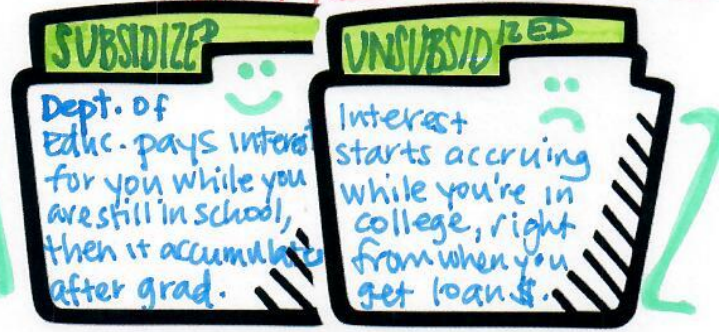
teacher

electrician



Student loans:

Identify the two main types of interest accrual.



WHAT IS A CONTRACT?
 legal agreement between 2 parties
 For a LOAN, it describes the amount + terms of repayment. you sign off to pay!



Try It

Assume that a student loan that pays for all 4 years of college will cost a total of \$65,680 to pay pack. With payments of \$325 per month, how long will it take to repay this loan?

$$65680 \div 325 \approx 202 \text{ months}$$

$$202 \div 12 \approx 16.8 \text{ years!}$$

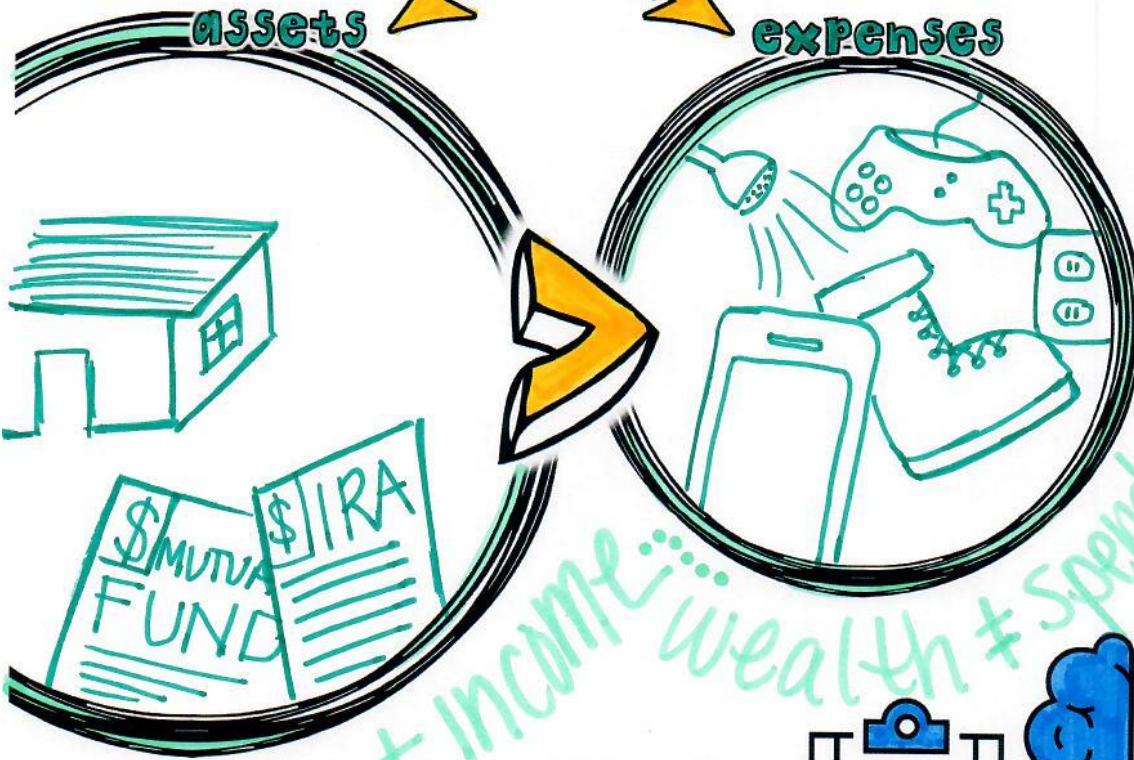
WEALTH



is not a matter of how much money is **earned**
 is not a matter of how much money is **Spent**
 actually is about how much money is **kept**



income
 Some income is spent to build **ASSETS**
 Keep other **EXPENSES** low



Wealth is not the same as income.
 In order to build substantial wealth, more of your income needs to go toward assets like savings, investments, and purchases that appreciate than the amount of your income that goes toward expenses like spending, bills, and debts. Sketch some specific samples inside each circle.



To calculate an individual's

worth:

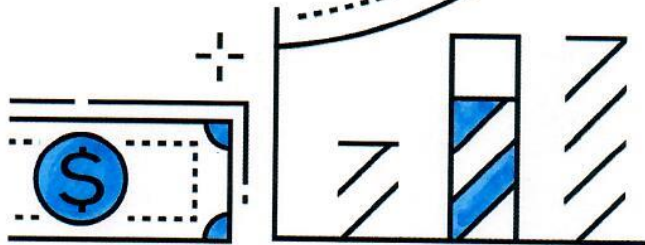
Add up the value of all assets, including things like...

-  \$ in accounts
-  investment values
-  car value
-  home value
-  other assets

Then subtract the total of any liabilities / debt, such as things like...

-  mortgage
-  car loan
-  student loan
-  credit card debt
-  other debts

NET WORTH



NEW YORK

LONDON

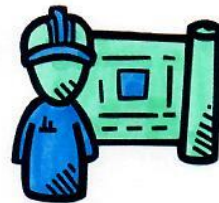
MOSCOW

Explain the differences clearly, including a review of their choices and reasoning for the discrepancies despite having the same yearly salary.



try it

Calculate the net worth for each of these two individuals with the same annual income. Which has done a better job of building wealth with the same level of earning?



JOAN
GENERAL CONTRACTOR
AGE 55
SALARY: \$95,000

ASSETS:

Cash in all Accounts: \$76,000
401k Retirement Funds: \$ 215,000
Home Value: \$230,000
Jewelry Collection: \$15,000
Vehicle Value: \$13,000

\$549,000
in assets

DEBTS/LIABILITIES:

Money Owed for Home Mortgage: \$64,000
Money Still Owed for Vehicle: \$0
Credit Card Debt: \$0
Student Loans: \$0

\$64,000
in debt

NET WORTH: \$485,000

ASSETS:

Cash in all Accounts: \$12,000
IRA Retirement Funds: \$92,000
Home Value: \$305,000
Vehicle Value: \$55,000
Rental Property: \$123,000

\$587,000
in assets

DEBTS/LIABILITIES:

Money Owed for Home Mortgages: \$320,000
Money Still Owed for Vehicle: \$38,000
Credit Card Debt: \$6,500
Student Loans: \$27,000

\$391,500
in debt

NET WORTH: \$195,500



RODRIGO
PUBLIC SPEAKER &
ENTREPRENEUR
AGE 48
AVG. YEARLY INCOME:
\$95,000

Rodrigo spent a lot on car and houses, did not save as much for retirement, and has less cash. Although he owns assets, he still owes a lot for them. His high debt makes his net worth lower than Joan's.

LIFE TIME LINE

Use a color code to mark overlapping ranges on the timeline that represent where you foresee each of these financial "seasons of life" occurring for yourself.

- Education
- Part time job
- Career
- Side gig
- Saving
- Investing
- Retirement

Phases of life

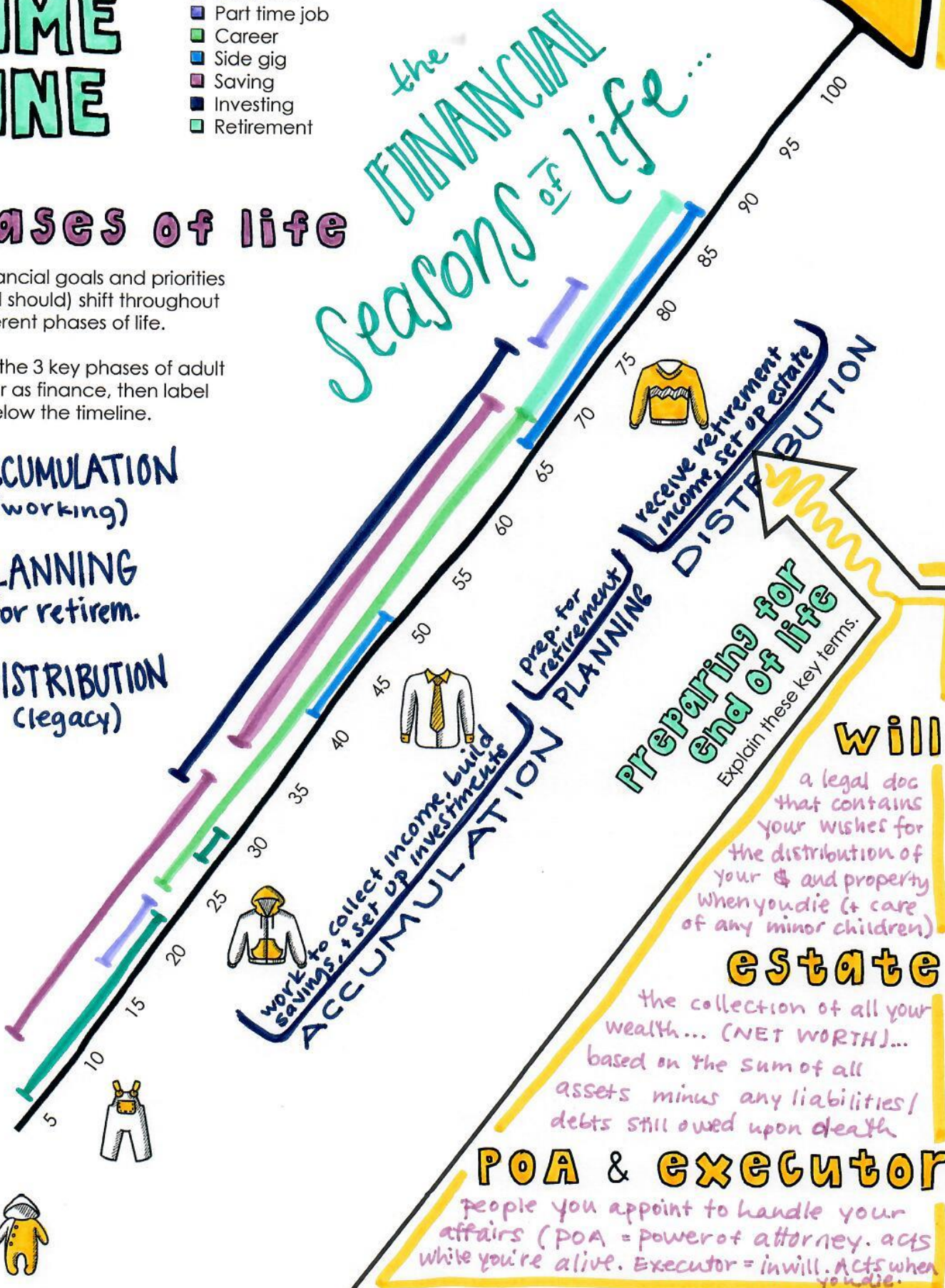
Your financial goals and priorities will (and should) shift throughout the different phases of life.

Identify the 3 key phases of adult life as far as finance, then label them below the timeline.

➤ **ACCUMULATION**
(working)

➤ **PLANNING**
for retirem.

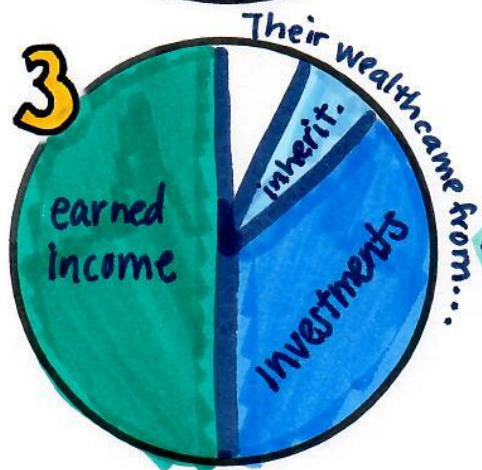
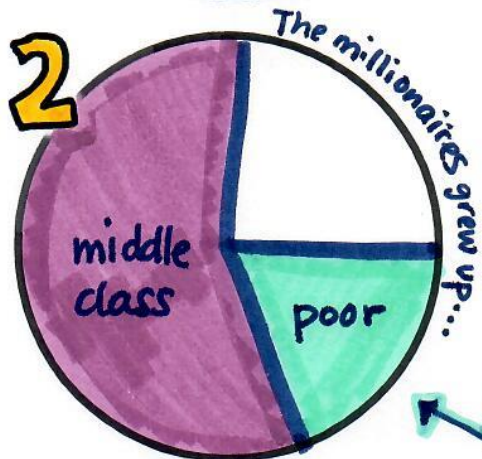
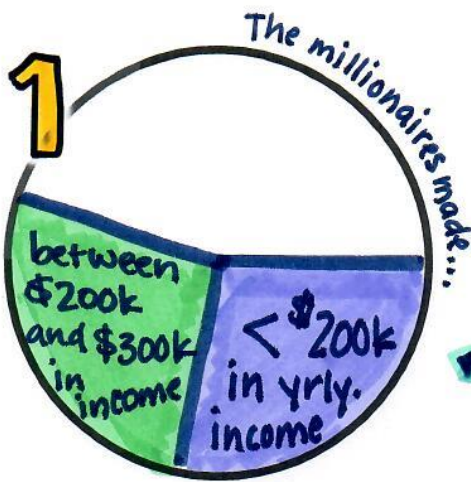
➤ **DISTRIBUTION**
(legacy)



BUILDING WEALTH

is possible for people of all income levels and backgrounds

A survey was done back in 2016 to determine common factors between a wide variety of people who were considered to have a HIGH NET WORTH (They had accumulated a net worth of \$3 million or more. Create three colored pie charts inside the circles to represent these three inspiring findings. Sum up what struck you about these facts in the box below with a combination of doodles and text.



1 There is a difference between INCOME and WEALTH. 29% of the millionaires surveyed had less than \$200K of income per year! In fact, 55% (more than half) had an income of less than 300k per year, yet still built a net worth of more than three million dollars.

2 77 percent of the millionaires surveyed grew up in either poor or middle class families! That 77% breaks down further into a 19% portion who grew up poor, and a 58% portion who grew up in the middle class.

3 These people with high net worth accumulated about half of their overall wealth as earned income. Another 1/3 of their wealth came from investment returns. Only about 10% of the wealth was inherited.

my most inspiring observation from these facts

You can get high net worth (+ even be a millionaire) after starting out poor and without having a salary over \$200k!

Source: 2016 U.S. Trust Wealth and Worth Survey

Some more stats about this group with a net worth of \$3 million+ ...

On average, they:

- ✔ started **saving** at age 14
- ✔ started **working** at age 15
- ✔ started **giving** to charity and volunteering around age 23
- ✔ began **investing** at age 25

key concept



CASH FLOW ANALYSIS

To BUILD WEALTH, you have to **KEEP** ^{more} **>** _{than} you **\$PEND!**

- ★ watch CASH FLOW: compare money coming **IN** to money going **OUT**.
- ★ make sure **INCOME** exceeds **EXPENSES**.
- ★ Don't increase spending faster than you increase saving.

Change the world

WEALTH OFFERS OPPORTUNITIES TO SUPPORT CAUSES YOU ARE PASSIONATE ABOUT

INSPIRATION:



Beyoncé donates to Feeding America.

Identify one wealthy person who inspires you. Tell why.



- end hunger
- aid slums
- stop trafficking
- end racism

IMPACT

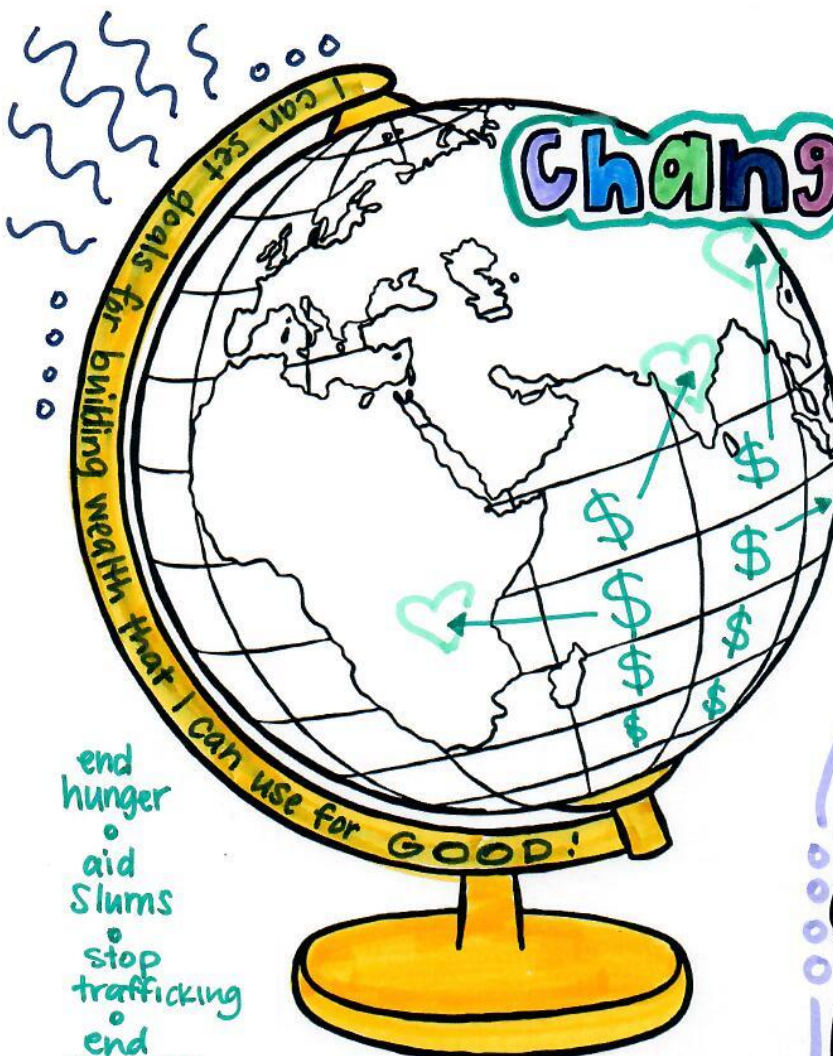
List ways that wealthy people can support a cause in ways that other people sometimes cannot. Out of all the possibilities, highlight the ones that appeal most to you. Dream up some ways to use your future wealth to change the world! Use this motivation to learn more about finance, plan for a smart financial future, and prioritize perfecting your habits.

- Be a board member
- Donate money
- Volunteer time
- Start a non-profit
- Invest in companies w. the right priorities
- Mentor / employ others.

MY TOP PICKS:

Highlight the icons that represent your own passions that you support already and you'd prioritize if you were able to build significant wealth. Use the empty spaces to add your own additional causes that you feel will change the world, but require resources, funding, time, and energy.

She also did "Stand Up for Love" + helps children!





first steps

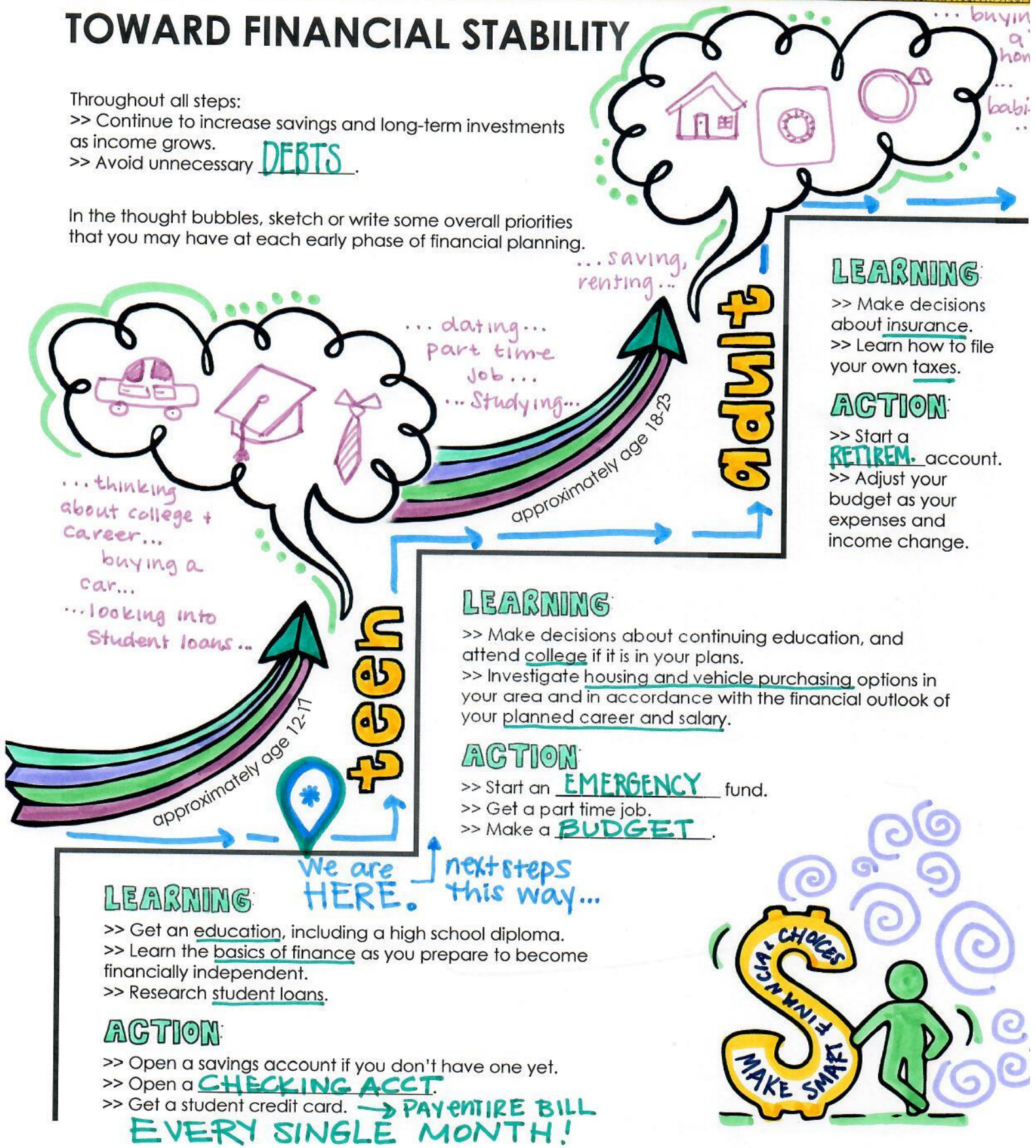
WHAT CAN TEENS AND YOUNG ADULTS DO?

TOWARD FINANCIAL STABILITY

Throughout all steps:

- >> Continue to increase savings and long-term investments as income grows.
- >> Avoid unnecessary **DEBTS**.

In the thought bubbles, sketch or write some overall priorities that you may have at each early phase of financial planning.



adult

LEARNING:

- >> Make decisions about insurance.
- >> Learn how to file your own taxes.

ACTION:

- >> Start a **RETIREM.** account.
- >> Adjust your budget as your expenses and income change.

teen

LEARNING:

- >> Make decisions about continuing education, and attend college if it is in your plans.
- >> Investigate housing and vehicle purchasing options in your area and in accordance with the financial outlook of your planned career and salary.

ACTION:

- >> Start an **EMERGENCY** fund.
- >> Get a part time job.
- >> Make a **BUDGET**.

LEARNING:

- >> Get an education, including a high school diploma.
- >> Learn the basics of finance as you prepare to become financially independent.
- >> Research student loans.

ACTION:

- >> Open a savings account if you don't have one yet.
- >> Open a **CHECKING ACCT.**
- >> Get a student credit card. → **PAY ENTIRE BILL EVERY SINGLE MONTH!**

We are **HERE.** next steps this way...



Learn more about investing and
Save a large portion of my income
so I can build a

NET worth

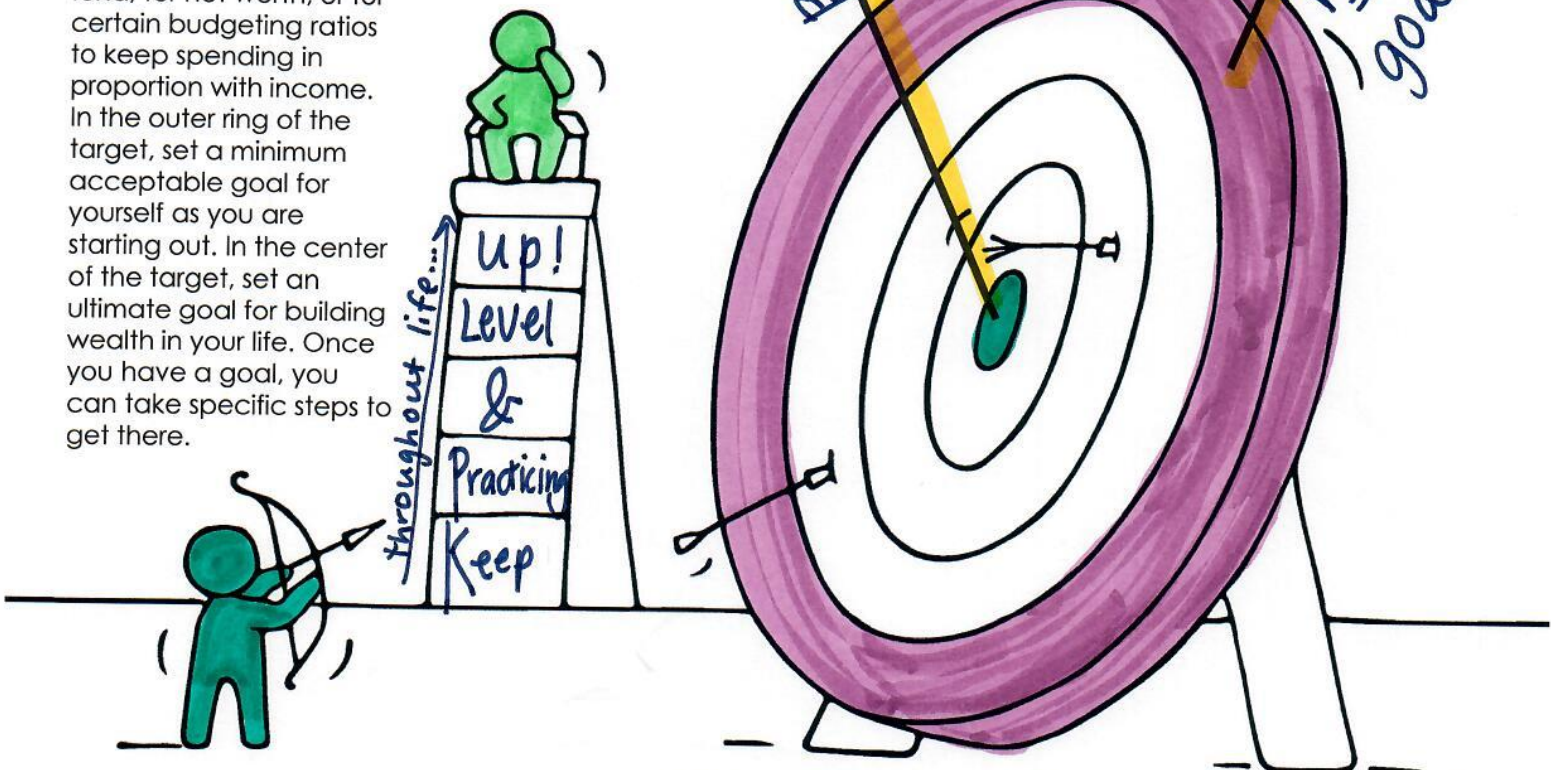
of one million dollars before I

RETIRE.

Make a new **BUDGET**

that will allow me to save \$500 in an **EMERGENCY FUND** by age 20.

Financial goals can be set for a wide range of specific, measurable things. Examples are setting a goal for amount saved in an emergency fund, for net worth, or for certain budgeting ratios to keep spending in proportion with income. In the outer ring of the target, set a minimum acceptable goal for yourself as you are starting out. In the center of the target, set an ultimate goal for building wealth in your life. Once you have a goal, you can take specific steps to get there.



financial goals

HOW?

Live below your "means"

Aim for multiple income streams



income streams

How many income streams (on average) does a millionaire have? After you doodle that number inside the \leftarrow burst, brainstorm 7 different income streams that would appeal to you. →

1. write a book
2. earn salary
3. side gig...
4. teach piano-weekend
5. blog w. ad. income
6. online shop
7. rent out an air B+B