

PERSONAL FINANCIAL PLANNING

*Using different financial strategies and tools
to support your personal & professional goals.*

VISIONARY VENTURES INVEST IN TOMORROW

November 20, 2024



UNIVERSITY of
LOUISIANA
L A F A Y E T T E ®

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LOUISIANA
L A F A Y E T T E[®]

**B.I. Moody III College of
Business Administration**

Challenge #1

For 3 months a year – once in the fall, once in the spring, once in the summer – track every penny you spend. Prepare a complete budget of your expenses to look in the mirror to determine what your spending habits and behaviors are.

- *Identify discretionary vs. non-discretionary cash flows.*
- *Identify investments vs. expenses.*
- *Identify personal vs. business expenses.*



Challenge #2

Open a Roth IRA (Individual Retirement Account) or a taxable brokerage account to begin investing for your future.

- A Roth IRA – or any retirement plan – has some restrictions and is designed for the long-term, but comes with tax deferral and possibly tax avoidance options.***
- A taxable brokerage account has more flexibility, but does not have tax benefits.***
- When it comes to investing, TIME is your best friend. The earlier you begin investing, the sooner your investments begin working for you and your future.***
- There are dozens of investment platforms available, and the investing options are virtually identical across platforms, so which one you use is a personal decision. Robinhood and Fidelity are two of the most popular, but any will serve your purposes.***



Challenge #3

Begin building your personal – and possibly business – debt profile.

- Check your credit score regularly and check your credit report annually. Make sure that the information in your account and affecting your debt profile is accurate.*
- Get at least 1 credit card as soon as possible. Think about having 2 or 3 credit cards. Only use them as you would use a debit card or cash...but the credit features (a) can give you rewards or benefits or cash, and (b) help your credit score.*
- Getting a credit card is easier while you are young...so begin as quickly as possible.*
- When looking at credit cards, they are all very similar. Which is best depends on you. But I would look at 3 things: (1) do not pay an annual fee, (2) lower interest rate (not just any introductory rates, but the regular rates), and (3) what reward benefits are being offered.*



Challenge #4

Most of you will have a formal or informal business at some point in your life. Getting that business legal and professional as soon as possible will make your life much easier and better.

- You owe income tax on all income you earn, whether as an individual or as a business. But you only owe tax on NET business income, after expenses are deducted, which is nice.*
- Keep track of all personal and business expenses – and know which expenses you can claim as business expenses to reduce your overall taxable income. Yes, this is legal.*
- Go to <https://geauxbiz.sos.la.gov> to begin your business ownership journey. You can spend \$25 to reserve your company name or you can spend \$100 to \$200 to legally establish your business in the state. When asked which legal structure you want, if in doubt, choose LLC – or Limited Liability Company – as it has the best legal liability protection and flexibility.*
- Even if your ‘business’ is just a small side hustle, the sooner you make it legal and professional, the more flexibility and less legal liability you might have in the future. Do it.*



Challenge #5

Strategic planning...

Complete the thought exercises in this deck and in your handout once a year, to think about your current and desired future financial goals and plans.

This plan is the first – and most important step – towards turning your goals into a plan and into reality.



A Thought Exercise

What is your dream life when you are 30?

What is your dream life when you are 50?



Owning Your Financial Future

What Are Your Values, Dreams & Goals?

Education

Career

Family

What Is Your Current Situation?

Education

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Financial

Create a Personal Financial Plan for You:

Investing

Budgeting

Debt
Management

Taxes

Insurance

Retirement

Education

Family

Business
Planning

Estate
Planning

Philanthropy



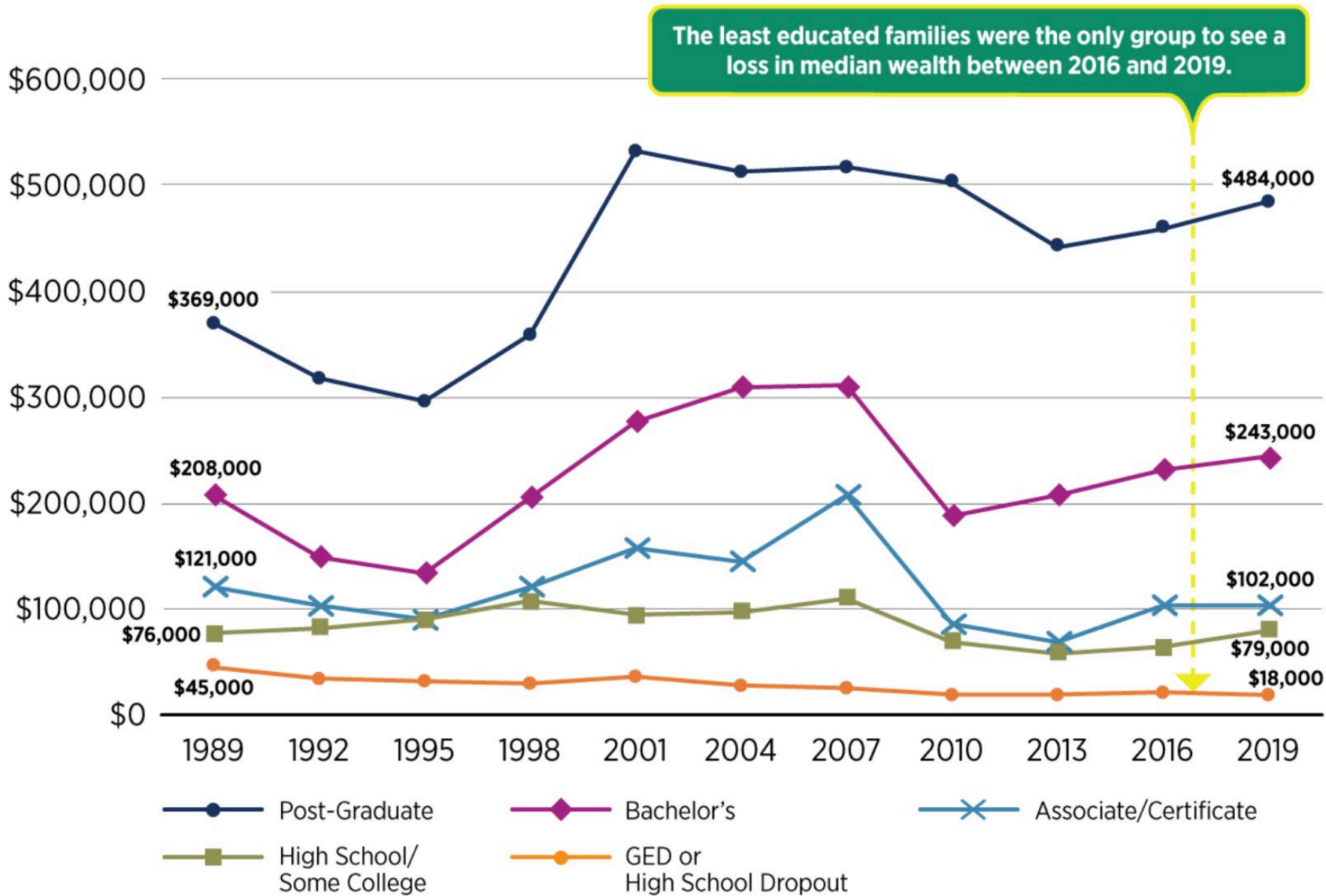
I believe that your college degree is the best investment you can ever make.

But it is very expensive – in terms of money, time, energy and opportunity costs.

Take a minute to think about all of the costs involved in getting your degree...



Wealth gaps by educational attainment



THE WEALTH GAP IN THE USA



A Few Opening Morals

Personal Finance is...personal.

It's about you and not about anyone else.

You have to make it about you and your goals.



A Few Opening Morals

There is no judgment in personal finance.

There is no ego in personal finance.

There is no shame in personal finance.

It's about you and not about anyone else.



A Few Opening Morals

Because personal finance is personal, it is virtually impossible for me to give you any specific advice.

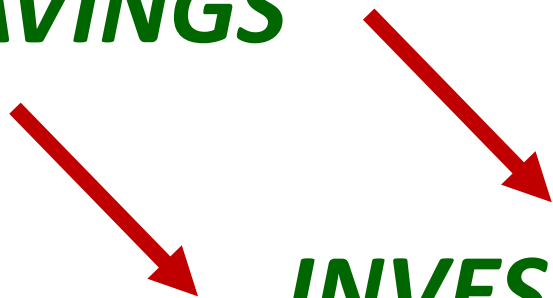
However, there is one word of advice that applies to 99% of people working on their finances:

SAVE

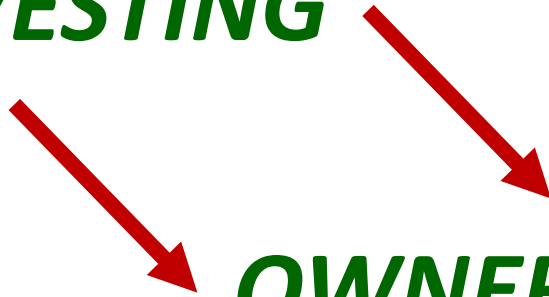


A Few Opening Morals

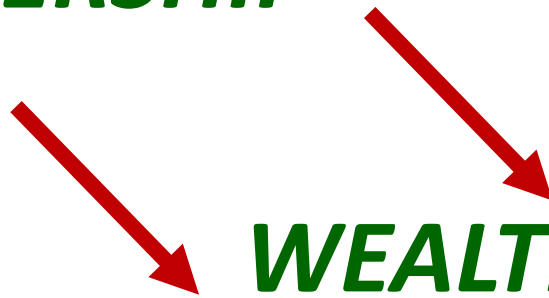
SAVINGS



INVESTING

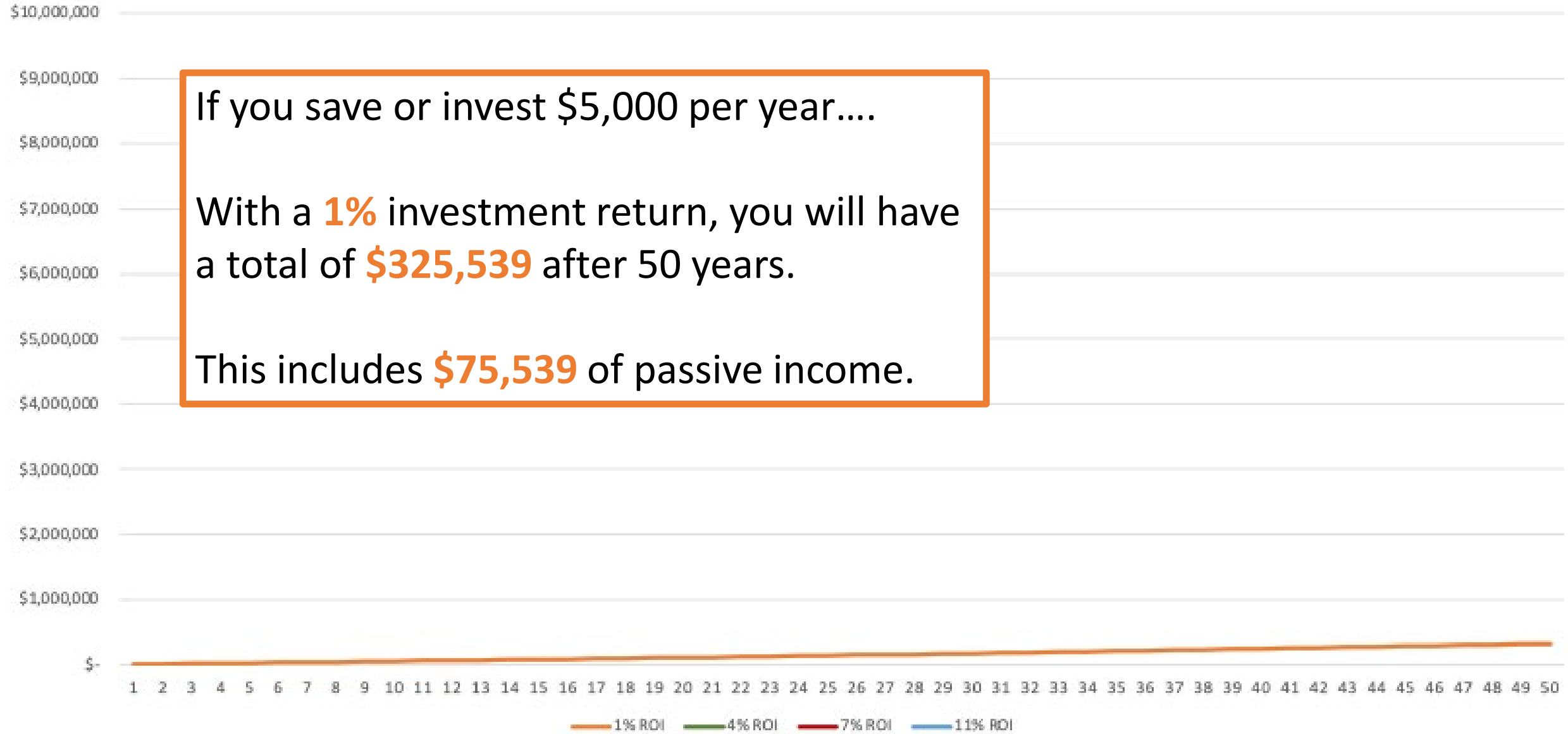


OWNERSHIP



WEALTH





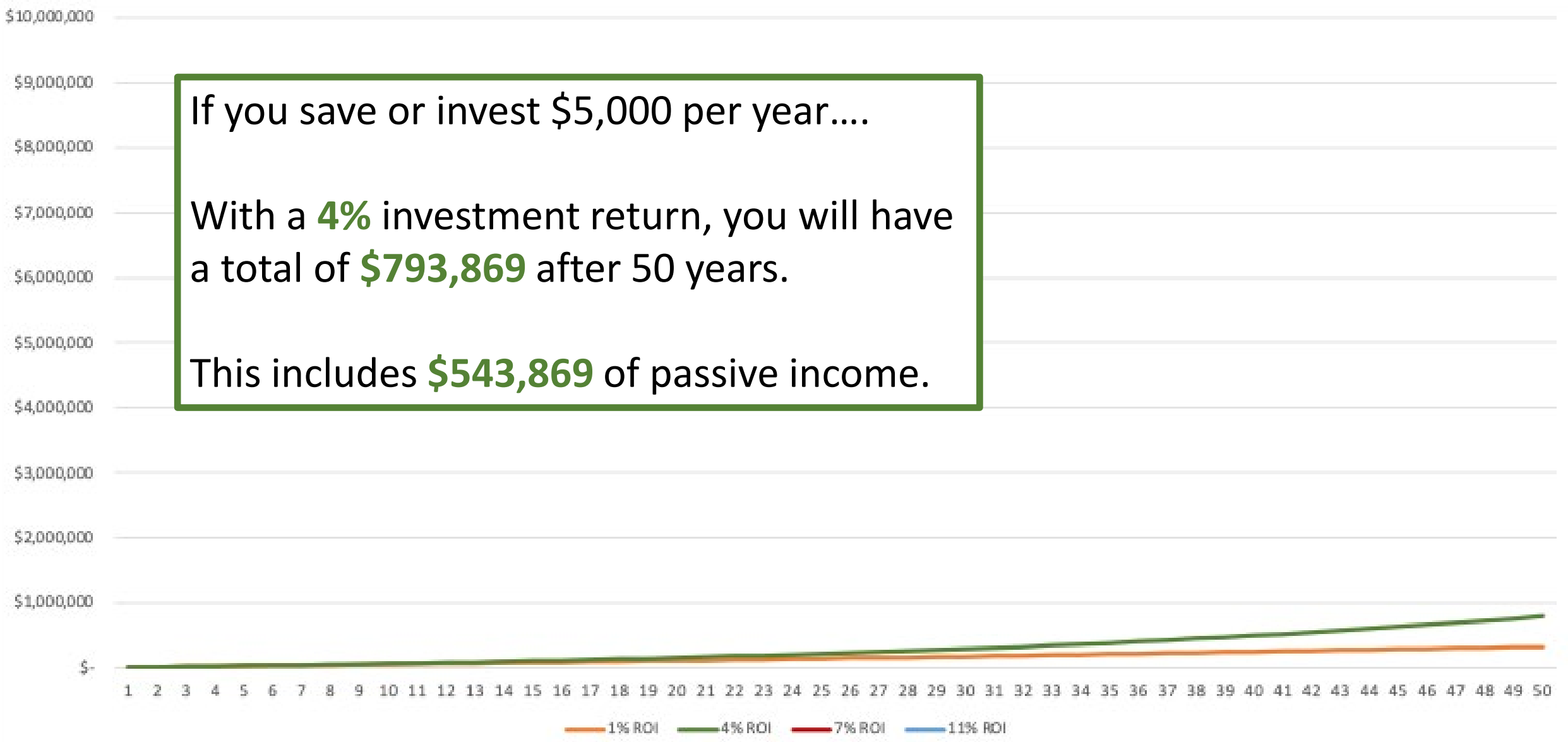
If you save or invest \$5,000 per year....

With a **1%** investment return, you will have a total of **\$325,539** after 50 years.

This includes **\$75,539** of passive income.



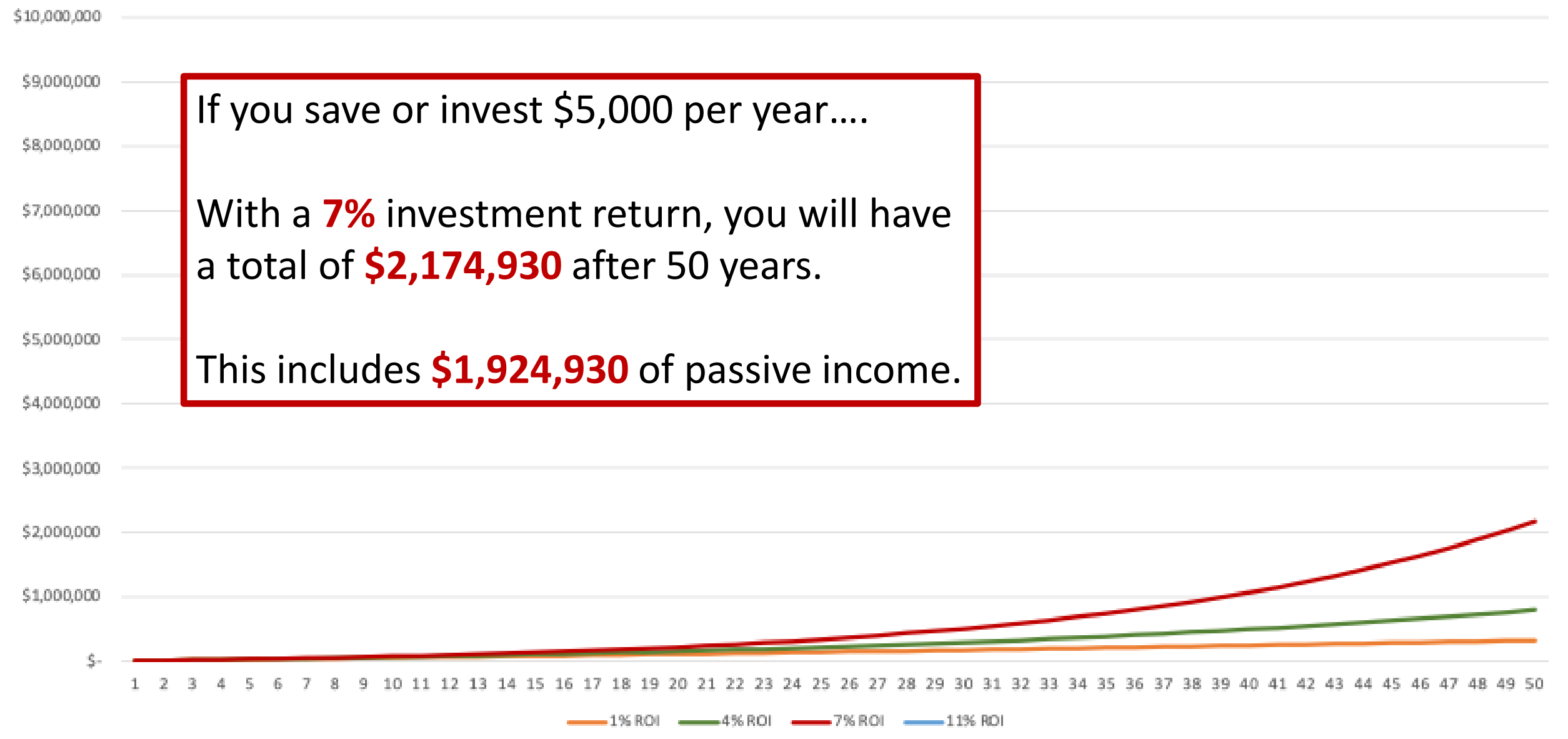
If you save or invest \$5,000 per year....
With a **4%** investment return, you will have
a total of **\$793,869** after 50 years.
This includes **\$543,869** of passive income.



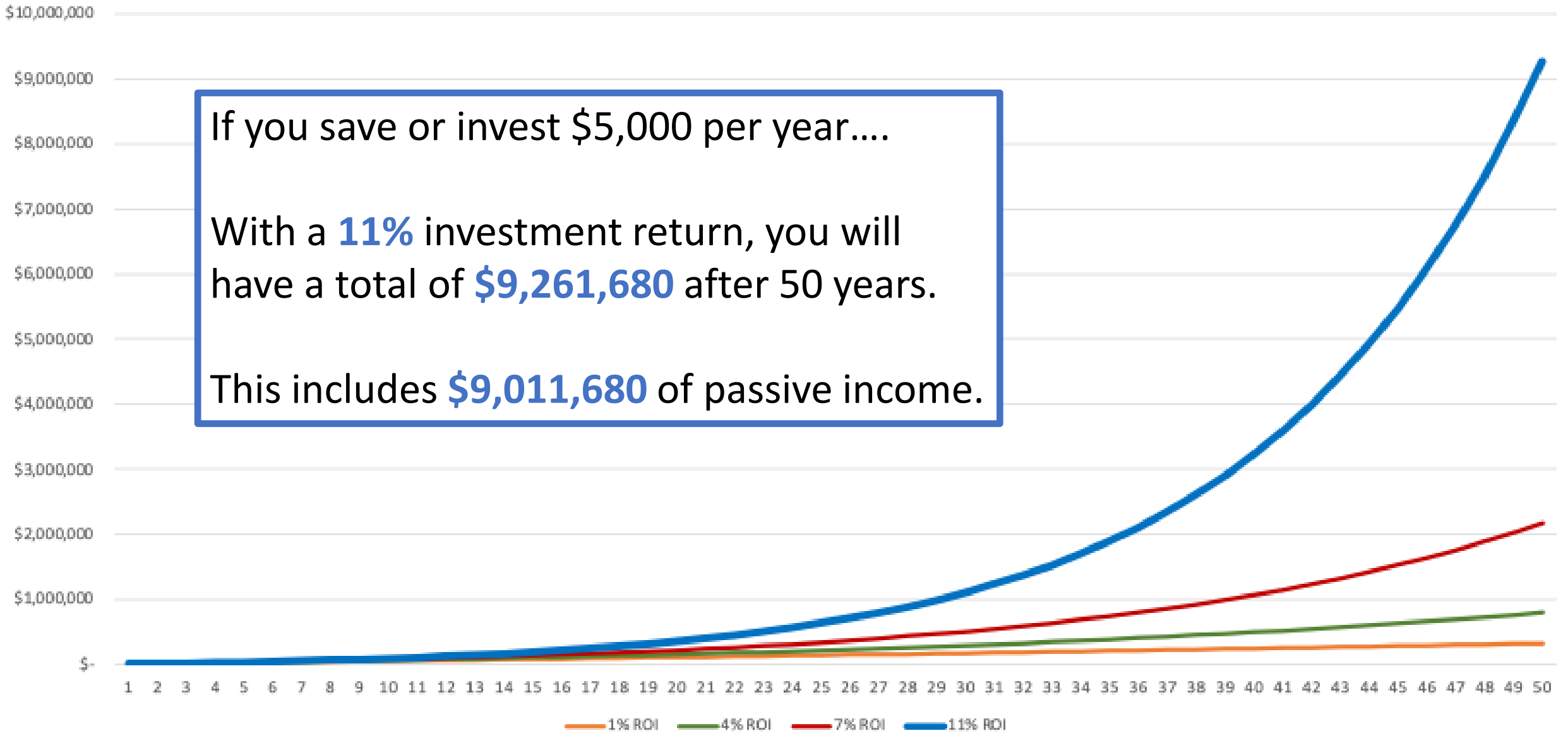
If you save or invest \$5,000 per year....

With a **7%** investment return, you will have a total of **\$2,174,930** after 50 years.

This includes **\$1,924,930** of passive income.

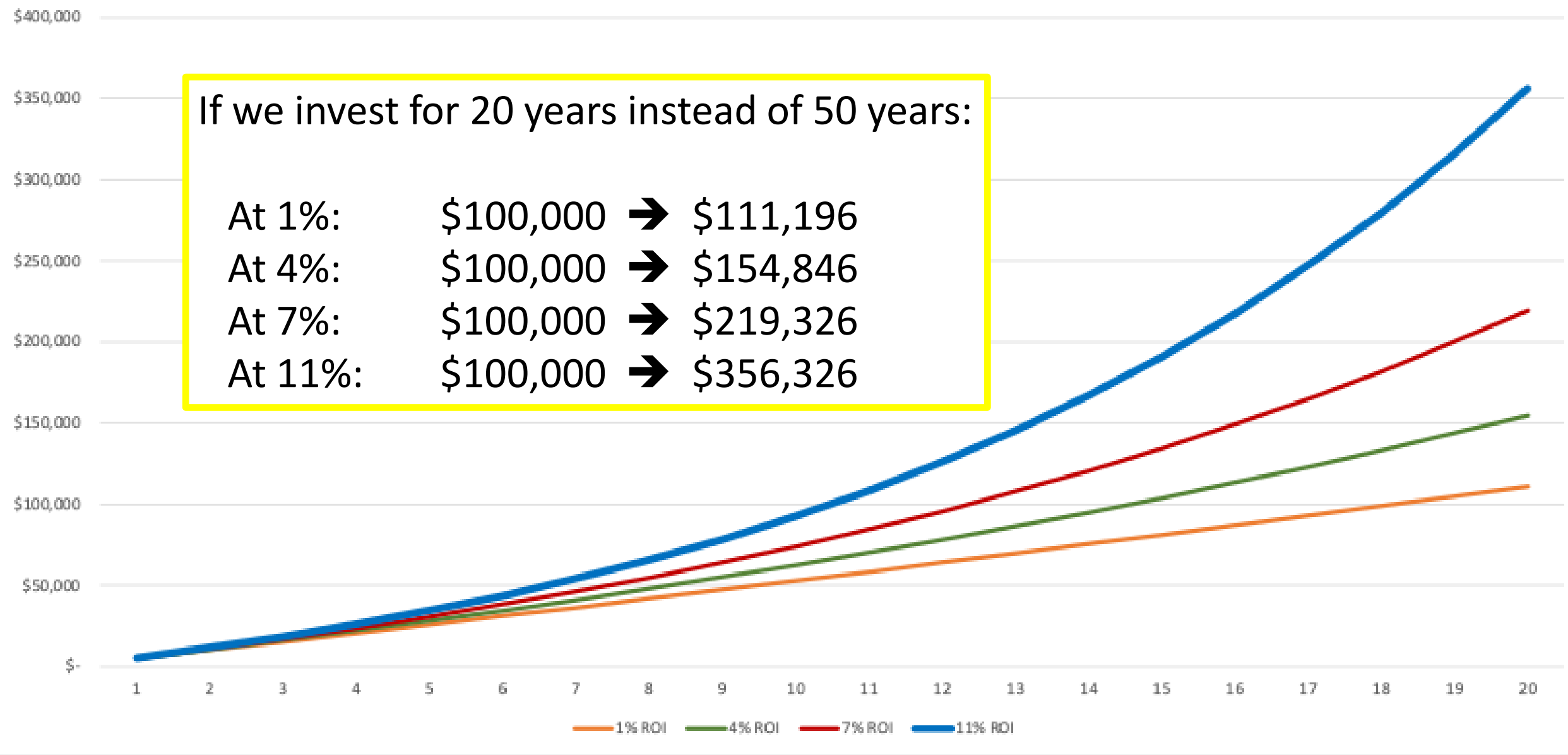


If you save or invest \$5,000 per year....
With a **11%** investment return, you will have a total of **\$9,261,680** after 50 years.
This includes **\$9,011,680** of passive income.



If we invest for 20 years instead of 50 years:

At 1%: \$100,000 → \$111,196
At 4%: \$100,000 → \$154,846
At 7%: \$100,000 → \$219,326
At 11%: \$100,000 → \$356,326



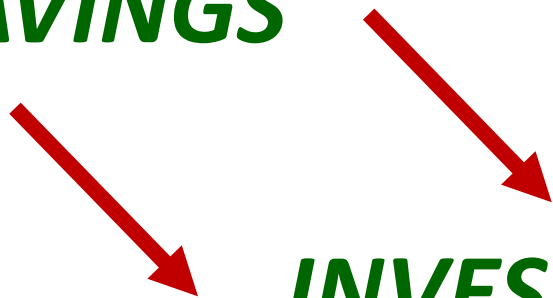
A Few Opening Morals

- (1) Begin investing as early as you can.*
- (2) Get comfortable taking some risks with your investing so you can earn bigger returns.*
- (3) Get comfortable playing the long game.*

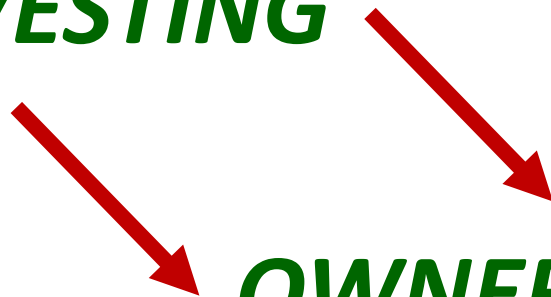


A Few Opening Morals

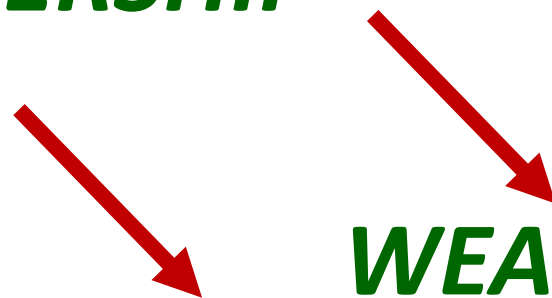
SAVINGS



INVESTING



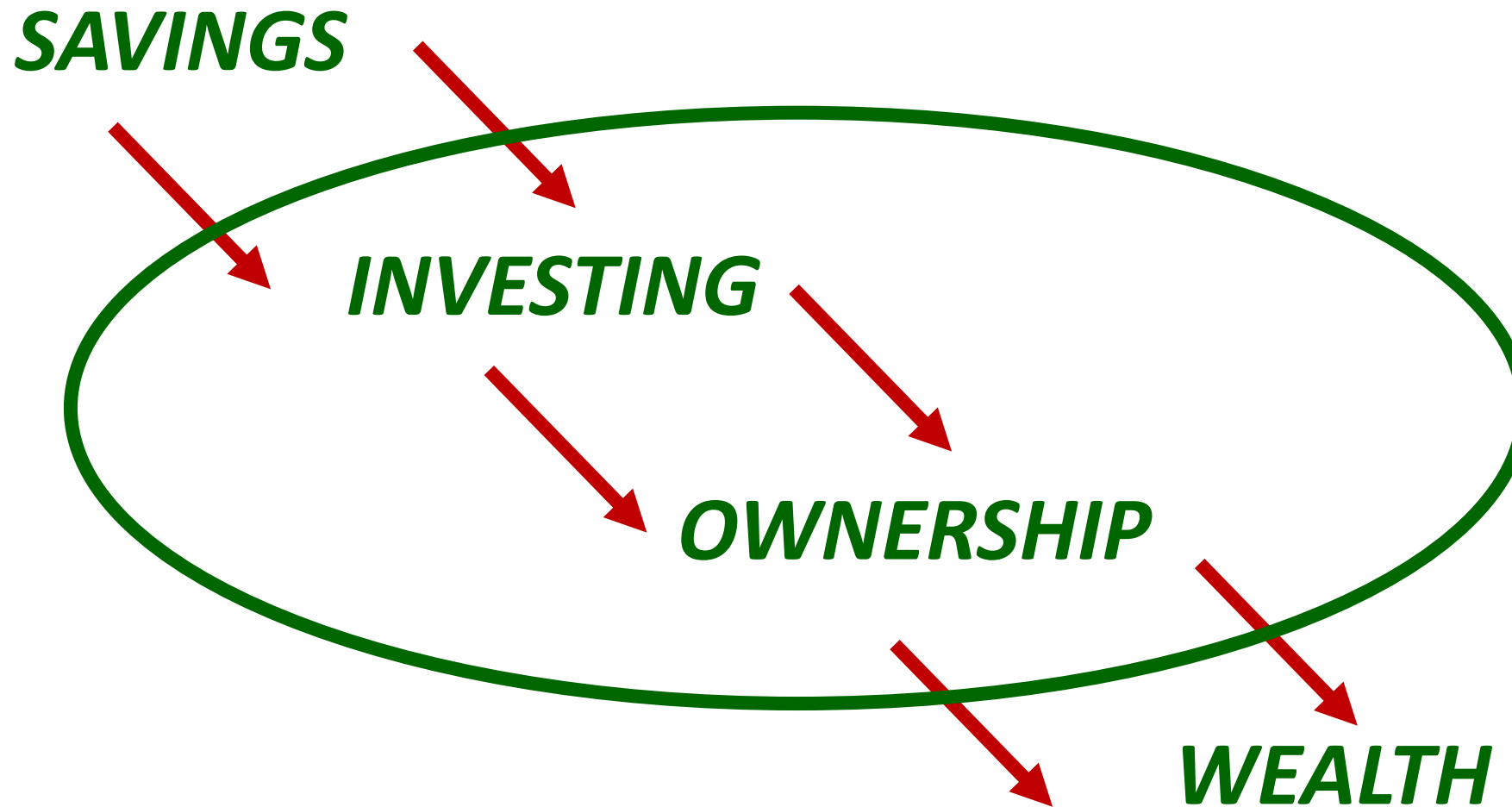
OWNERSHIP



WEALTH



A Few Opening Morals



Which of These 10 Companies Has Been the Best / Worst Over the Past 2 Years? (the average company has had a return of 45% over the past 2 years)

Let's think about investing. Below are 10 company names that you are probably familiar with. Each of these 10 companies is a public company that you can invest in by buying shares of the stock.

Our challenge is to determine which of these 10 company stocks has performed the best and which has performed the worst over the past 2 years, September 2022 thru September 2024. What do you think?

(1) **Apple** _____
2-Year Stock Return

(2) **Disney** _____
2-Year Stock Return

(3) **Google** _____
2-Year Stock Return

(4) **JP Morgan Chase** _____
2-Year Stock Return

(5) **McDonald's** _____
2-Year Stock Return

(6) **Microsoft** _____
2-Year Stock Return

(7) **Nike** _____
2-Year Stock Return

(8) **Tesla** _____
2-Year Stock Return

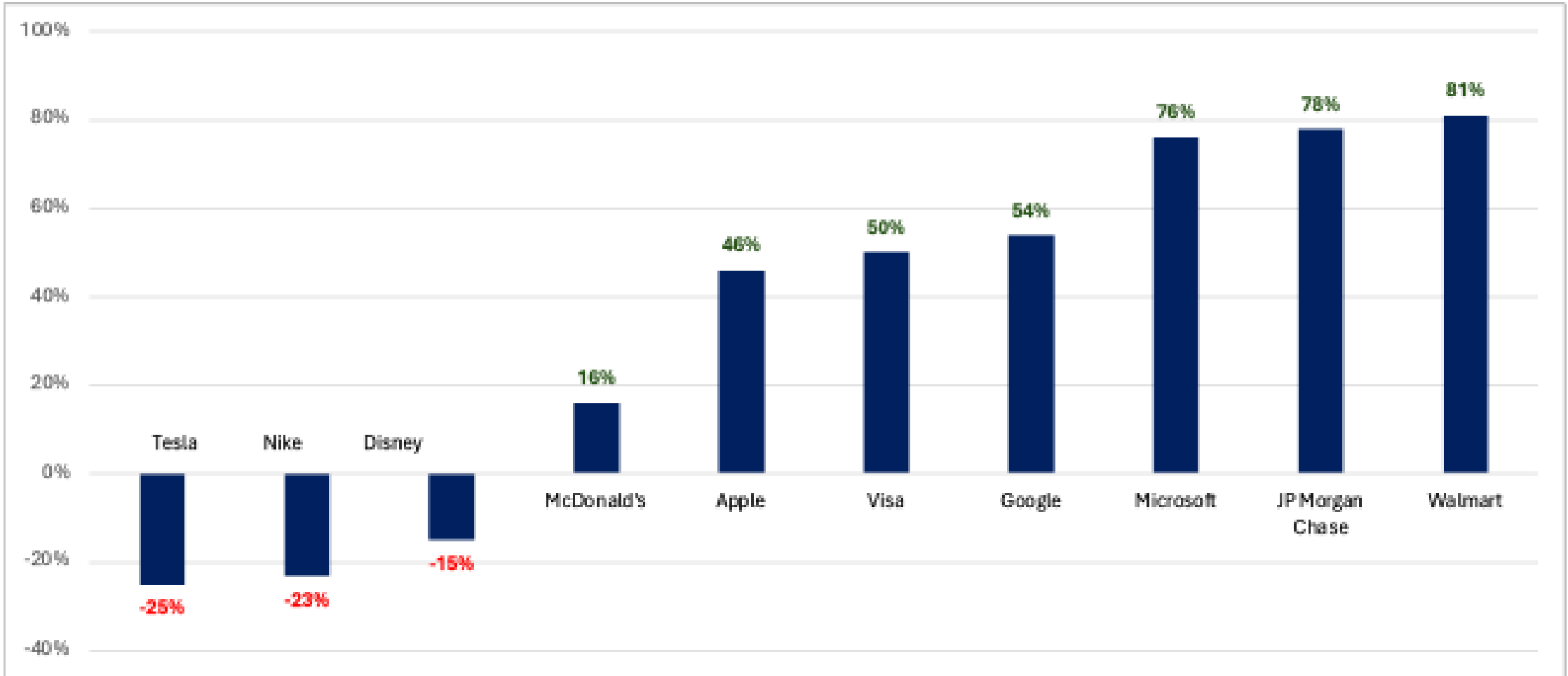
(9) **Visa** _____
2-Year Stock Return

(10) **Walmart** _____
2-Year Stock Return

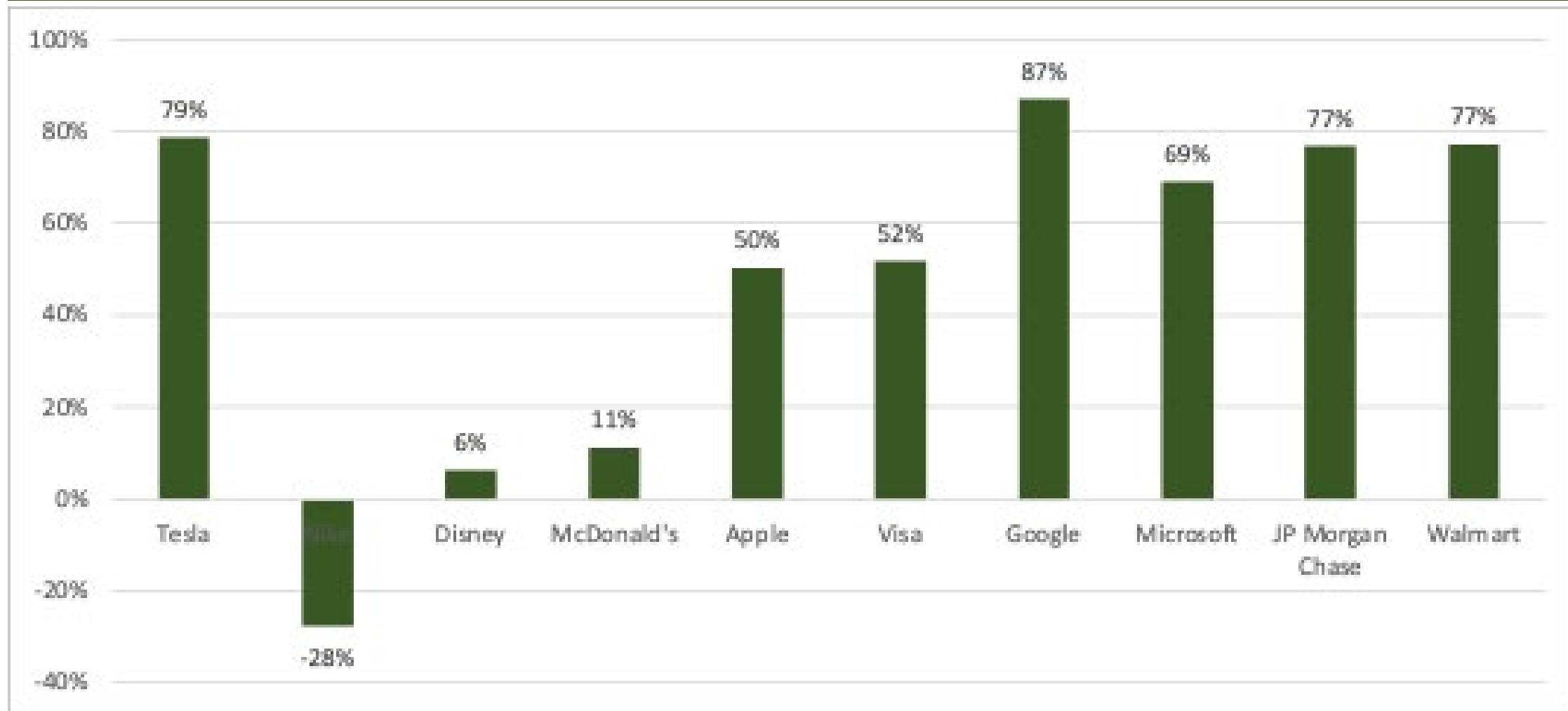


Which of These 10 Companies Has Been the Best / Worst Over the Past 2 Years?

(the average company has had a return of 45% over the past 2 years)



November 2022 thru November 2024



Owning Your Financial Future

What Are Your Values, Dreams & Goals?

Education

Career

Family

What Is Your Current Situation?

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Philanthropy



Financial Wellness

*If you don't know where
you've come from, you can't
know where you're going.*

- Maya Angelou



A Few Opening Morals

- *Finance is the art of trading money – or stuff – across time*
- *Finance is the art of making investments...of devoting time/energy/money to something today, with the hope of getting back something bigger and better in the future.*
- *That's what you are doing with your education...spending time/energy/money for these few year, hoping it sets you up for enormous success and happiness in the future.*



A Thought Exercise

What is your dream life when you are 30?

What is your dream life when you are 50?



Financial Wellness

*A goal without a plan
Is just a dream.*

~ Antoine de Saint-Exupéry



Financial Wellness

***Becoming an owner allows
you to be the architect of
your own future.***

- Leigha Porter

*Entrepreneur, Dancer, Choreographer, Founder of the Creole Nutcracker, PARC Village
and FIRE Expressions Conservatory, UL Lafayette grad, Northside High School grad*



Owning Your Financial Future



Owning Your Financial Future



Owning Your Financial Future



Let's Take a Quick Quiz

Please define the following word:

VALUES

THESE ARE
THE SAME
WORDS!

Now define this word:

VALUE



What Are Your Values?

community

a group of people with a common background or characteristic or with shared interests

competence

ability to solve problems, demonstrates mastery

leadership

the ability to create relationships in order to complete a stated goal or mission

health

placing importance on physical and emotional well-being

diversity

appreciates and respects individual differences

education

placing importance on learning and education

independence

ability to be self-directed in one's thoughts and actions

meaningful work

doing and providing work that has a purpose and/or significance

creativity

placing importance on imagination, inspiration and inventiveness

happiness

feelings of contentment, satisfaction and/or fulfillment

ecology / environment

awareness of natural resources

challenges

things or situations that test a person's thoughts or abilities

relationships

connections between and among people

helping others

placing importance on assisting other people

fairness

placing importance in justice, decency and equality

achievement

places importance on the fulfillment of activities, goals, tasks or work

money

financial assets, the accumulation of wealth

autonomy

places importance on freedom, independence and individual discretion

family

connection to immediate or extended relations

wealth

richness in terms of assets or money

faith

belief in something, someone, or even a higher power

spirituality

appreciating the need to understand one's inner self and its relationship with the world

friendship

strong ties with family, friends, co-workers or members of a certain community

excellence

pursuit of the highest level of optimal performance

adventure

seeks out and/or participates in exciting events that involve uncertainty

integrity

firm adherence to a moral code and/or set of values, walking the talk

competition

comparison of self, team or organization against oneself or another

freedom

without obligation

religion

a specific system of belief or worship



What Are MY Values?

**What
values are
part of my
DNA?**

**What Am
I Looking
For in MY
LIFE?**

**What Am
I Looking
For in A
JOB?**



What Are MY Values?

What
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family

connection to
immediate or
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relations

integrity

firm adherence
to a moral code
and/or set of
values, walking
the talk

happiness

feelings of
contentment,
satisfaction
and/or
fulfillment

spirituality

appreciating the
need to
understand
one's inner self
and its
relationship with
the world

fairness

placing
importance in
justice, decency
and equality



What Are MY Values?

**What Am
I Looking
For in MY
LIFE?**

education

placing
importance on
learning and
education

money

financial assets,
the
accumulation of
wealth

health

placing
importance on
physical and
emotional well-
being

helping others

placing
importance on
assisting other
people

achievement

places
importance on
the fulfillment of
activities, goals,
tasks or work



What Are MY Values?

What Am
I Looking
For in A
JOB?

change

a shift from one
state, stage or
phase to
another

independence

ability to be self-
directed in one's
thoughts and
actions

community

a group of
people with a
common
background or
characteristic or
with shared
interests

challenges

things or
situations that
test a person's
thoughts or
abilities

creativity

placing
importance on
imagination,
inspiration and
inventiveness



What Am I Looking For in A JOB?

change

a shift from one state, stage or phase to another

creativity

placing importance on imagination, inspiration and inventiveness

challenges

things or situations that test a person's thoughts or abilities

community

a group of people with a common background or characteristic or with shared interests

independence

ability to be self-directed in one's thoughts and actions

These are the values that give my work energy and purpose.

I need to find a job, a career, projects, programs, activities or hobbies that give me the opportunity to embrace with and connect with these values.





change
a shift from one state, stage or phase to another

creativity
placing importance on imagination, inspiration and inventiveness

challenges
things or situations that test a person's thoughts or abilities

community
a group of people with a common background or characteristic or with shared interests

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placing importance on assisting other people

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placing importance on physical and emotional well-being

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places importance on the fulfillment of activities, goals, tasks or work

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financial assets, the accumulation of wealth

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connection to immediate or extended relations

spirituality
appreciating the need to understand one's inner self and its relationship with the world

happiness
feelings of contentment, satisfaction and/or fulfillment

fairness
placing importance in justice, decency and equality

integrity
firm adherence to a moral code and/or set of values, walking the talk



Some Homework for You

Make a list of the 5-10 most important criteria you are looking for in a job or career.

Rank these criteria.

Connect these criteria to your long-term and short-term goals. Connect these criteria to your values.



More Homework for You

Once a week:

Make a list of the money you are going to spend this week.

Once a month:

Make a list of how your job serves your values – or how school serves your values over the long-term.

Once a year:

Revisit your values and identify your short- and long-term goals.



Values, Financial Wellness & Resilience

- *Budgeting & Debt Management*
- *Resetting your financial plan*
- *Tax planning*
- *Summer Work, Holiday spending & New Year's Resolutions*
- *Revisiting your family, personal & career goals*



Budgeting & Debt Management

- *Budgeting – The one truth is that you can only spend money that you have or earn...unless you borrow.*
 - *Find a budget approach that works for you.*
 - *Don't outsource all of your budgeting to apps, websites or your bank. Do it yourself. Internalize the numbers.*
 - *Set boundaries and rules – make willpower natural.*
 - *Set goals and challenges – make saving a game.*
- *Align your spending with your values and what you care about most.*



Budgeting & Debt Management

- ***Debt Management – When you borrow, you are saying that your present needs are so great that you are willing to endure some pain or sacrifice in the future to satisfy those needs (and almost all students do this).***
 - ***Whenever you borrow – whether it's student loans or credit card debt – make a plan for how you're going to repay that debt.***
 - ***Interest: the premium you pay to use someone else's money.***
 - ***Find loans with low rates, no fees or penalties & a short repayment term.***
 - ***Once a year, talk to a bank or lender about consolidating your debt.***
- ***Live a life that is not controlled by debt. This starts with your values, your behavior & your budgeting. Always have a plan to get rid of your debt.***



Financial Wellness & Resilience

- ***Resetting your financial plan***
 - ***Revisit your values and identify your short- and long-term goals***
 - ***Analyze your insurance, phone, subscription and other expenses***
 - ***Should you look for a new job?***
 - ***Start a money journal – note your behaviors, feelings and emotions related to how you spend money***
 - ***Share your financial goals with your family***



TODAY

THE NEXT 6 MONTHS

THE NEXT 12 MONTHS

2 YEARS AFTER GRADUATION

3 YEARS AFTER GRADUATION

**ONCE EVERY SEMESTER:
TRACK EVERY PENNY
THAT YOU SPEND &
TRACK EVERY PENNY
THAT YOU EARN**

**IN THE NEXT 3 MONTHS:
IDENTIFY WAYS TO
DECREASE YOUR
DISCRETIONARY
SPENDING BY 25%**

**IN THE NEXT 6 MONTHS:
MAKE A PLAN TO
MANAGE – AND PAY OFF
– YOUR DEBT**

**IN THE NEXT 6-12
MONTHS:
OPEN MULTIPLE
SAVINGS ACCOUNTS, 1
FOR EACH GOAL**

**IN THE NEXT 12 MONTHS,
OPEN AN IRA OR ROTH IRA**

**WITHIN 2 YEARS OF
GRADUATION:
HAVE AN “EMERGENCY
FUND” ACCOUNT, WITH 3-6
MONTHS OF NON-
DISCRETIONARY EXPENSES**

**WITHIN 3 YEARS OF
GRADUATION:
ELIMINATE ALL OF YOUR BAD
DEBT.**



Financial Wellness & Resilience

- *Tax planning*
 - *Do you want to make any charitable donations before year-end (or wait until January)?*
 - *Should you recognize any investment gains or losses before year-end?*
 - *Do you know all of the deductions and credits that you are eligible for?*
 - *Did you receive a tax refund this year? Do you really want a tax refund each year?*



Financial Wellness & Resilience

• *Summer Work*

- *If you're earning money this summer, make a plan for how that money is going to help you achieve your future goals.*
 - *Yes, it's okay to enjoy some of that money during this summer...but maybe don't enjoy ALL of it.*
- *If you're not earning money this summer, this is a great time to develop budgeting habits that will serve you in the long-term.*
- *When do you transition from a job that pays well (but doesn't align with your career goals) (like bartending) to an internship or lower-paying job (that does align with your career goals)?*
 - *Only you can decide that...but you probably will have to decide at some point.*



Financial Wellness & Resilience

- *Holiday spending*
 - *Set a budget & make lots of lists*
 - *Make a list of what you are going to buy*
 - *Make a list of what you are NOT going to buy*
 - *Have open conversations about money with your family*

- *New Year's Resolutions*
 - *Create specific financial goals (For example...Eliminate 3 subscriptions this year)*
 - *Create generic financial goals (For example...Improve my credit score)*
 - *Think about how financial resolutions relate to other resolutions*
 - *If you want to exercise, travel or read more, what will it cost?*



Financial Wellness & Resilience

- *Revisiting your family, personal & career goals*
 - *What do you want to achieve over the next 1-2 years?*
 - *What do you want to achieve over the next 3-5 years?*
 - *What do you want to achieve over the next 10 years?*
- *As you revisit your goals, be sure to communicate with your family and anyone else affected by your goals.*



Owning Your Financial Future

What Are Your Values, Dreams & Goals?

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What Is Your Current Situation?

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What Do You Want to Talk About?

1. Budgeting & Income Management
2. Debt, Credit Scores, Student Loans, Credit Cards
3. Investing
4. Or, we can do a conversational quiz about investing and some other stuff



Opening Quiz – Question #1

If you had invested \$1,000 in the S&P 500 at the beginning of 2021 (3+ years years ago), how much would that \$1,000 be worth today?

A. \$775

B. \$1,000

C. \$1,581

D. \$4,043



Opening Quiz – Question #1

If you had invested \$1,000 in the S&P 500 at the beginning of 2021 (3+ years years ago), how much would that \$1,000 be worth today?

A. \$775

B. \$1,000

C. \$1,581
(that's a 13.2% annual return)

D. \$4,043



Opening Quiz – Question #2

If you had invested \$1,000 in the S&P 500 *at the beginning of 2014 (10+ years ago)*, how much would that \$1,000 be worth today?

A. \$775

B. \$1,000

C. \$1,581

D. \$4,043



Opening Quiz – Question #2

If you had invested \$1,000 in the S&P 500 *at the beginning of 2014 (10+ years ago)*, how much would that \$1,000 be worth today?

A. \$775

B. \$1,000

C. \$1,581

D. \$4,043

(that's a 13.9% annual return)



Opening Quiz – Question #3

Which of these 4 countries currently has the lowest inflation rate?

United States

England

Germany

Mexico



Opening Quiz – Question #3

Which of these 4 countries currently has the lowest inflation rate?

United States

England

Germany

Mexico



Opening Quiz – Question #4

Which of these 4 countries
currently has the HIGHEST inflation rate?

United States

England

Germany

Mexico



Opening Quiz – Question #4

Which of these 4 countries
currently has the HIGHEST inflation rate?

United States (2.5%)

England (2.2%)

Germany (1.9%)

Mexico (5.0%)



Opening Quiz – Question #5

If you sold cookies out of your apartment during 2024, received made \$500 from those sales, and spent \$200 making those cookies, what do you owe taxes on?

\$500

\$300

\$200

\$0



Opening Quiz – Question #5

If you sold cookies out of your apartment during 2024, received made \$500 from those sales, and spent \$200 making those cookies, what do you owe taxes on?

\$500

\$300

\$200

\$0



Opening Quiz – Question #6

If you sold cookies out of your apartment during 2024, received made \$500 from those sales, and spent **\$700** making those cookies, what do you owe taxes on?

\$500

\$700

\$0

**You get a refund
for the \$200 loss**



Opening Quiz – Question #6

If you sold cookies out of your apartment during 2024, received made \$500 from those sales, and spent **\$700** making those cookies, what do you owe taxes on?

\$500

\$700

\$0

You get a refund for the \$200 loss



Opening Quiz – Question #7

If you earned \$14,500 of income in 2024,
which of the following applies to you:

**You owe taxes on the entire
\$14,500.**

**It depends on whether someone
else claims you as a dependent.**

**You do not owe any taxes and you
do not have to file a tax return.**

**You do not owe any taxes but you
have to file a tax return.**



Opening Quiz – Question #7

If you earned \$14,500 of income in 2024,
which of the following applies to you:

You owe taxes on the entire
\$14,500.

It depends on whether someone
else claims you as a dependent.

You do not owe any taxes and you
do not have to file a tax return.

**You do not owe any taxes but you
have to file a tax return.**



Opening Quiz – Question #8 – Last One

If I had invested \$1,000 into the S&P 500, the overall U.S. stock market, on the day that I was born, how much would that be worth today?

A. \$1,000

B. \$22,257

C. \$60,371

C. \$95,035



Opening Quiz – Question #8 – Last One

If I had invested \$1,000 into the S&P 500, the overall U.S. stock market, on the day that I was born, how much would that be worth today?

A. \$1,000

B. \$22,257

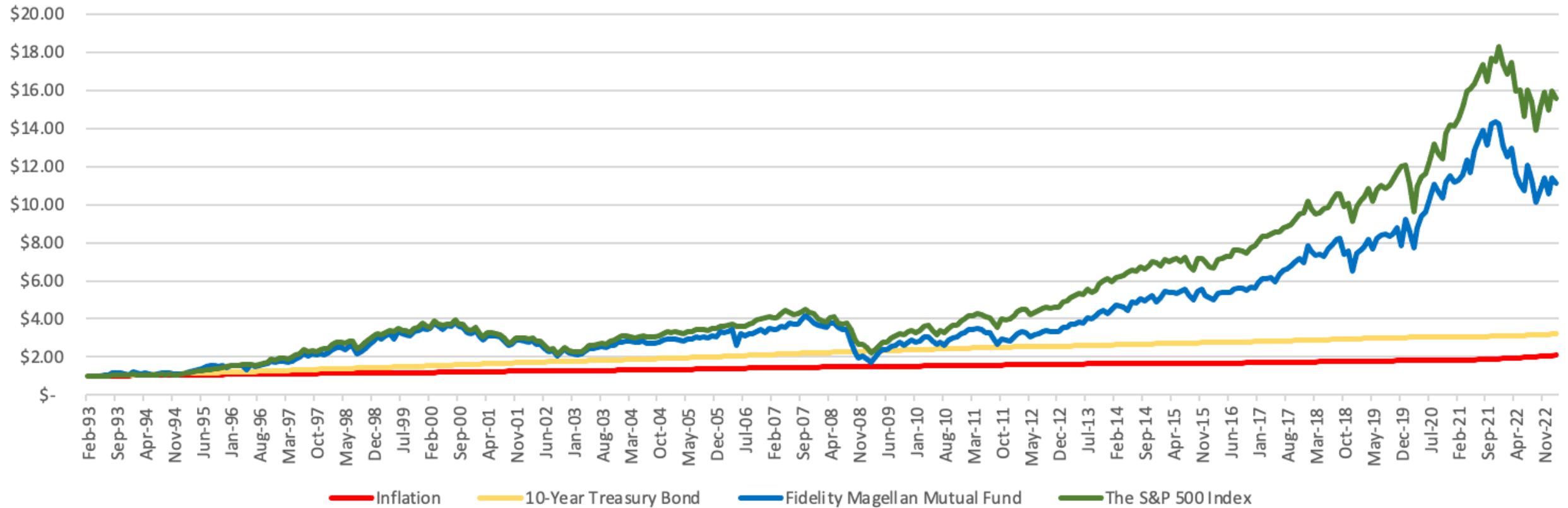
C. \$60,371

That's an annual return of just over 10% per year.

C. \$95,035



Value of \$1 Invested in January 1993



\$2.08 Inflation
\$3.20 10-Year Bond
\$11.14 Fidelity Magellan
\$15.55 S&P 500 Index



Owning Your Financial Future

Question #1

What are you going to be doing in 2030?

Will you be in graduate school? If so, what are you studying?

Are you working? If so, what is your job?

Where do you live? Who do you live with?

How do you spend your free time?



Owning Your Financial Future

Question #2

What are the 3 most expensive things you plan on buying in the next 10 years.

For now, exclude your undergraduate education.

But if you're planning on graduate school, do include that.

Or maybe it's a house, a car, a vacation, a baby, a new pair of shoes. Anything.



Owning Your Financial Future

Question #2

What are the 3 most expensive things you plan on buying in the next 10 years.

We do these thought exercises to begin thinking about how we might make it happen. Yes, we are just making things up in our responses – but that's where planning begins.

For most of us, owning our financial futures begins with identifying our goals and designing a plan to achieve those goals.



Owning Your Financial Future

Question #3

What are your financial goals?

What financial goals do you want to achieve in the next 3 months?

What financial goals do you want to achieve in the next 12 months?

What financial goals do you want to achieve in the next 3 years?



Financial Planning for the Year

5 Things Everyone Should Do:

1. BUDGET!

- *Make shopping lists...for all types of shopping: food, gifts, fun, weekends.*
- *Make lists of what you ARE NOT going to buy...for all types of shopping.*



Financial Planning for the Year

5 Things Everyone Should Do:

2. *BE VERY CAREFUL ABOUT INCREASING DEBT*

- Avoid increasing balances on credit card*
- Maybe only use credit cards for groceries and gas and use a debt card for everything else.*



Financial Planning for the Year

5 Things Everyone Should Do:

3. GET RID OF AT LEAST 1 SUBSCRIPTION

- Review your expenses and find any/all recurring subscriptions***
- Find at least 1 to get rid of before the year end***
- And make sure you do not add any that you are not going to use or get your money's worth***



Financial Planning for the Year

5 Things Everyone Should Do:

4. LOOK FOR DEALS...BUT ALSO BE WARY OF DEALS

- By shopping early and shopping around, you can find the best deals for what you need to buy***
- But be careful – many deals will have fine print that commits you to further costs or to other constraints that are not in your best interest***



Financial Planning for the Year

5 Things Everyone Should Do:

5. SET 5 FINANCIAL RESOLUTIONS THAT YOU CAN STICK WITH

- Check your credit report and credit score, open multiple savings accounts, pay yourself first with \$5-\$25 of every paycheck going to savings, analyze every penny you spend during 3-5 months in 2024, find a budget approach that works for you, set financial goals for the next 3-5 years, finalize your back-to-school spring 2024 budget, begin investing, pay down any high-interest debt (even before savings), do not dine out or go grocery shopping in January, maximize credit card rewards*



Some Homework for You

Think about why you are in college.

Make a list of the 5-10 most important criteria you are looking for in a job or career.

Connect these criteria to your long-term and short-term goals. Connect these criteria to your values.

(And if you don't know what your values are, take 30 minutes to identify them and commit to them.)



More Homework for You

Once a week:

Make a list of the money you are going to spend this week.

Once a month:

Make a list of how college – and your future job – serves your values over the long-term.

Once a year:

Revisit your values and identify your short- and long-term goals.



Owning Your Financial Future

YOUR VALUES

YOUR GOALS

Education

Career

Family

FINANCIAL STRATEGIES

Investing

**Income & Expense
Management**

**Debt
Management**

**Taxes, Insurance
& Other**



One Rule About BUDGETING

Budgeting is philosophically very easy but practically very difficult because there is just one basic rule that applies to Budgeting:

Spend less than you earn.

- Of course, this is much easier said than done...Especially for students with limited income and fixed expenses.
- If you spend more than you earn, you have to make up the difference somehow - student loans, credit cards, savings.
 - And this borrowing will set your goals back when it comes time to repay this borrowing. You are borrowing from your future.



How Do You Succeed at Budgeting

- Be intentional. Know what you're spending. Know what your income is.
- Look in the mirror. Analyze yourself.
 - This can be painful. You may see some habits you do not like. But recognizing those habits is the first step to correcting them.
- Think both short-term and long-term.
 - At its core, budgeting is about balancing monthly income and expenses.
 - But, be sure to connect your income and expenses to your long-term goals.
- When I was in college and in grad school, my priority was my degree. I ate more Top Ramen than any human should ever eat (including every night for a month, as part of a bet). To me, this was a choice and a habit that was critical to fulfilling my goal – my degree.



How Do You Succeed at Budgeting

I do not want all of my life to be controlled by a budget.

I simply want my budget to be functional.

~ Quote from one of your student colleagues this summer



How Do You Succeed at Budgeting

I simply want my budget to be functional.

- You want a budget to be a guide, not a rulebook.
- You want a budget that is designed for you and nobody else.
- You want to identify what is most important to you.
 - Yes, you may have to change behavior and make sacrifices – so make sure you are only sacrificing those expenses or parts of your financial life that are least important to you.



How Do You Succeed at Budgeting

I simply want my budget to be functional.

- You want a budget to be a guide, not a rulebook.
- You want a budget that is designed for you and nobody else.
- You want to identify what is most important to you.
 - Yes, you may have to change behavior and make sacrifices – so make sure you are financial life that are least important to you.

These budgeting templates are in the handbook on pages 24-25.

You can download them from the MCOBA website, search for “Personal Financial Planning.”

Or you can email me and I will send them to you.

MONTHLY BUDGET	EXAMPLE	THIS MONTH
INCOME		
Job #1 -	\$ 1,200.00	
Job #2 -	250.00	
Job #2 -	100.00	
Other -	50.00	
Other -	-	
Other -	-	
TOTAL INCOME	\$ 1,600.00	
EXPENSES		
Savings - General	\$ 50.00	
Savings - New Car, in 2023	125.00	
Savings - New House, in 2026	250.00	
Rent or Housing	400.00	
School - Tuition & Fees	150.00	
School Supplies	50.00	
Phone Bill	100.00	
Insurance - Car	100.00	
Insurance - Home	25.00	
Insurance - Health	-	
Food - Grocery	200.00	
Food - Restaurants	50.00	



Owning Your Financial Future

Turn to the 4th page of your handout.

There are 42 suggestions for ways to save money.

How many of these could you do over the next 3 months?

Are there any other ideas you have that should be on this list?



Owning Your Financial Future

How many of these could you do over the next 3 months?

Move to a better bank account

Give up your television

Give up a subscription

Sign up for free customer loyalty programs

Always make a shopping list

Stop eating out

Shop at a thrift store

Shop at a yard sale

Stop buying new video games

Cut your coffee purchases in half

Drink more water

Avoid convenience stores

Avoid fast food

Avoid alcohol

Quit smoking

Buy food and staples in bulk

Make a gift for friend or family member

No online purchases

Cancel unused memberships

Share your dreams with a close friend

Shop for new car insurance

Spend your free time volunteering

Avoid the mall

Only walk to places within 1 mile

Cancel magazine subscriptions

Eat breakfast

Eat leftovers

Bring your lunch to work or school

Only go to free entertainment events

Take public transportation

Carpool

Pack food for road trips

Eliminate cell phone services

Eliminate cable services

Spend 10 hours a week at the library

Learn about employee offers at work

Only drive within 3 MPH of the speed limit

Drive a different route to work

Eat less meat

Use coupons

Exercise more

Pay bills online through your bank



Owning Your Financial Future

How many of these could you do over the next 3 months?

Move to a better bank account

Quit smoking

Only go to free entertainment events

Give up your television

Buy food and staples in bulk

Take public transportation

Give up a subscription

Focus on habits, not just dollars.

Sign up for free customer rewards

Walk

Carpool

Use free services

Always make a list

While you're in college, many of these ideas may not help you – such as eating leftovers.

Stop eating out

Use free services

Shop at a thrift store

Check out at the library

Shop at a discount store

Use offers at work

Stop buying new clothes

But if you develop the mindset now, the benefits will grow and compound and lead to real dollar savings (or income) when you are on your own and paying for your own meals.

Drive at or below the speed limit

Cut your coffee purchase

Comute to work

Drink more water

Eat

Avoid convenience stores

Eat breakfast

Use coupons

Avoid fast food

Eat leftovers

Exercise more

Avoid alcohol

Bring your lunch to work or school

Pay bills online through your bank



Five Budgeting Models

ZERO-BASED BUDGETING

- Start with your total income, either actual or expected.
- Then allocate every single dollar to some purpose.
 - Essential expenses such as rent, food and phone are easy.
 - Include savings, debt repayment, insurance and investments.
- Your Net Cash Flow – or Income minus Expenses – will always be \$0.00 because every penny has been assigned to a specific expense or purpose.



Five Budgeting Models

THE ENVELOPE METHOD

- Identify your main expense categories – food, bills, entertainment, rent, and others.
- Pretend that you put money for each category into its own envelope. If it helps, actually put the cash for each category into an envelope.
- The amount that each category has in its envelope is the maximum you can spend for each category during each period.
- You cannot spend more than what's in an envelope. Once an envelope is empty, you cannot spend any more on that category.
- If you spend less than what's in an envelope, you cannot move or loan funds to another envelope.
- If you have money left in any envelopes at the end of the month, put it into savings. Do not carry it over to the next month.



Five Budgeting Models

50 / 30 / 20 METHOD

- This is similar to the Envelope Method but with broader categories.
- Allocate 50% of your income to “needs.”
- Allocate 30% of your income to “wants.”
- Allocate 20% of your income to savings and debt repayment.
- This may be a difficult method while you’re still in school and income is low, but it can be a great method after you graduate to take you through your 20s.



Five Budgeting Models

PAY YOURSELF FIRST

- This is essentially a reverse budget – where the first item you consider is savings.
- Pick a number that you want to save each month – and then as soon as you get paid, move that amount into your savings account or into investments....pay your future self first.
- Then you can apply one of the other methods for the balance of your budget.
 - You could employ a 20 / 50 / 30 budget, where you start with the 20% being moved to savings, then budgeting for needs and wants.
 - You could move all non-savings funds into their own envelopes – then, at the end of the month, with any remaining cash in envelopes, move that to savings. You may end up moving money to savings twice each month – which is great.
 - You could create a zero-based budget on top of your savings. Again, you might have one line-item devoted to savings here, too, and you could end up saving twice.

Five Budgeting Models

THE VALUES-BASED BUDGET

- You first allocate a portion to your essentials: food, rent, phone.
- Then you allocate your income to different values that are important to you: charity, family, friends, health, education, well-being, your future and others.
- This could be coupled with the Envelope, Zero-Based or 50 / 30 / 20 methods, such that your values define the categories. Your values become both “needs” and “wants.”
- Be sure to include “your future” as a value – that’s where you’ll do your saving to help you meet your personal and financial goals.



Five Budgeting Models

Which Budget Model is Best For You?

Only you can answer that.

Budgeting is more of a mental game than a financial process.

You need to select the approach that:

- (1) Gives you the least stress and the most confidence;
- (2) Best aligns with your short- and long-term goals.

In practice, most people combine different models to best suit what they are most comfortable with.

(I personally pay myself first and then use a zero-based approach)

(And then, if I can, I pay myself last, too)



Developing A Budgeting Mindset

Budgeting is more of a mental game than a financial process.

- Think of budgeting as part of a long-term financial plan.
- Think of budgeting in the same way you think of studying, writing or working in the laboratory.
- Recognize your own behavior, habits, priorities and goals. Only you know what is best for you.
- Choose the budgeting approach that works best for you...and for you only.



Developing A Budgeting Mindset

If you have a spouse, partner, family or others who are affected by your budgeting decisions....

...Talk to them. Make budgeting a team effort.

- Research on personal finance shows that couples feel more empowered and develop a closer, stronger relationship when they share financial goals, decisions and strategies with each other.
- Your pets may be affected by your budgeting decisions. But you don't have to communicate with them. They don't want to be bothered with budgeting decisions. They have other priorities.



Developing A Budgeting Mindset

Some exercises to help you develop a budgeting mindset.

- Track all of your income and expenses – every penny – over an extended period of time (say, 1-2 months).
- Write down the last 15 things you spent money on.
- Write down the next 15 things you want to spend money on.
- Identify your 10 biggest expenses over the past 12 months.
- Predict every dollar of income you will earn over the next 12 months.
- Predict what your income will be for each of the next 5 years.



Developing A Budgeting Mindset

Some exercises to help you develop a budgeting mindset

What is the purpose of this self-analysis?

To ensure that your spending is aligned with your income.

To ensure that your spending and income are part of your plan.

To ensure your budget is driven by wants & needs, and not driven by impulses.

To be intentional.



Developing A Budgeting Mindset

Some actions that may help you better control your spending:

- Wait 24 hours before making any purchase over a certain dollar amount
 - For me, it's \$100. I don't make any purchase of more than \$100 without thinking about it for 24 hours (except groceries).
- Don't make any purchases on certain days or after a certain time
 - For me it's 9:00pm. I do not spend any money after 9:00pm. Ever.
- Only use cash...because studies have found that spending cash causes us more pain than the abstraction of a credit card or debit card
 - It's also why casinos use similarly abstract poker chips...because we don't feel pain when we lose them.
- Take 10 minutes every Sunday to write down what you're allowed to spend in this week.



Developing A Budgeting Mindset

Some actions that may help you better control your spending:

- Wait

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- Don't

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- Only

mo

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- Take

in this week.

And then reward yourself.

Turn this into a game.

If you predict you will spend \$200 this week, and you only spend \$150, reward yourself with half the difference.

Take \$25 for happy hour or a night out.

Put the other \$25 into savings or investing.

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Values, Financial Wellness & Resilience

- *Budgeting & Debt Management*
- *Resetting your financial plan*
- *Tax planning*
- *Summer Work, Holiday spending & New Year's Resolutions*
- *Revisiting your family, personal & career goals*



Budgeting & Debt Management

- *Budgeting – The one truth is that you can only spend money that you have or earn...unless you borrow.*
 - *Find a budget approach that works for you.*
 - *Don't outsource all of your budgeting to apps, websites or your bank. Do it yourself. Internalize the numbers.*
 - *Set boundaries and rules – make willpower natural.*
 - *Set goals and challenges – make saving a game.*
- *Align your spending with your values and what you care about most.*



Budgeting & Debt Management

- ***Debt Management – When you borrow, you are saying that your present needs are so great that you are willing to endure some pain or sacrifice in the future to satisfy those needs (and almost all students do this).***
 - ***Whenever you borrow – whether it's student loans or credit card debt – make a plan for how you're going to repay that debt.***
 - ***Interest: the premium you pay to use someone else's money.***
 - ***Find loans with low rates, no fees or penalties & a short repayment term.***
 - ***Once a year, talk to a bank or lender about consolidating your debt.***
- ***Live a life that is not controlled by debt. This starts with your values, your behavior & your budgeting. Always have a plan to get rid of your debt.***



WHAT IS DEBT

Debt is borrowing from YOUR future.

- We borrow because we want something today that we cannot afford today.
- We make a promise to pay for that something in the future.
- The entity we borrow from wants to make money. They are not our friends.
- We have to pay them helping us get what we want today.
 - At a minimum, we pay them interest on our debt.
 - Depending on the type of debt, we may have to pay them much more (fees, collateral, earnings, control, etc.)



WHAT IS DEBT

Debt is borrowing from YOUR future.

If your debt is keeping you up at night...

If your debt is preventing you from achieving your goals...

If your debt is damaging your relationships...

...Then you may have too much debt.

(we will return to this issue later)



One Truism About DEBT

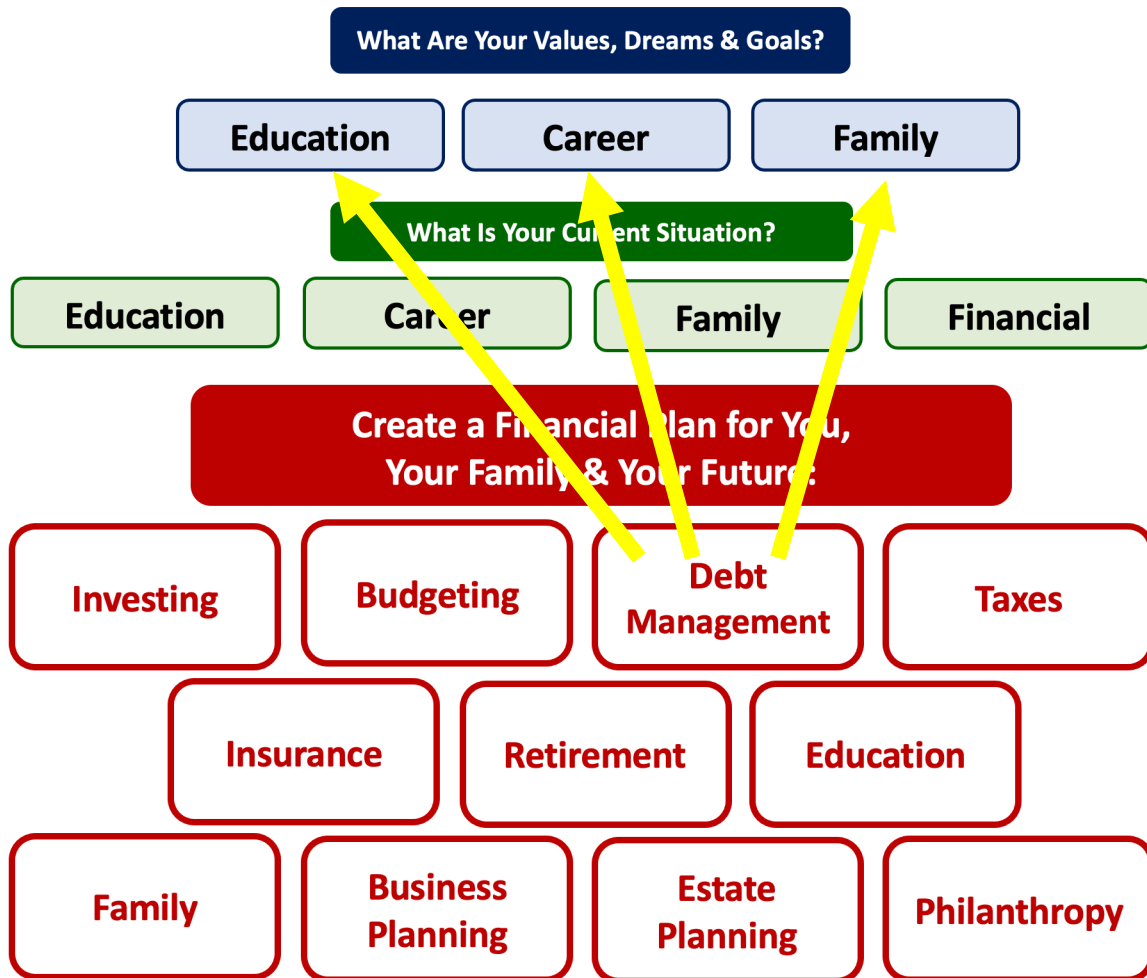
*If you borrow \$10,000,
You will have to repay \$10,000.*

Whatever you borrow, you will have to repay – in full, with interest – 99% of the time. Lenders do not exist to give you money.

One good exception: Student loan forgiveness.

Lots of bad exceptions: Default, bankruptcy, short sale...



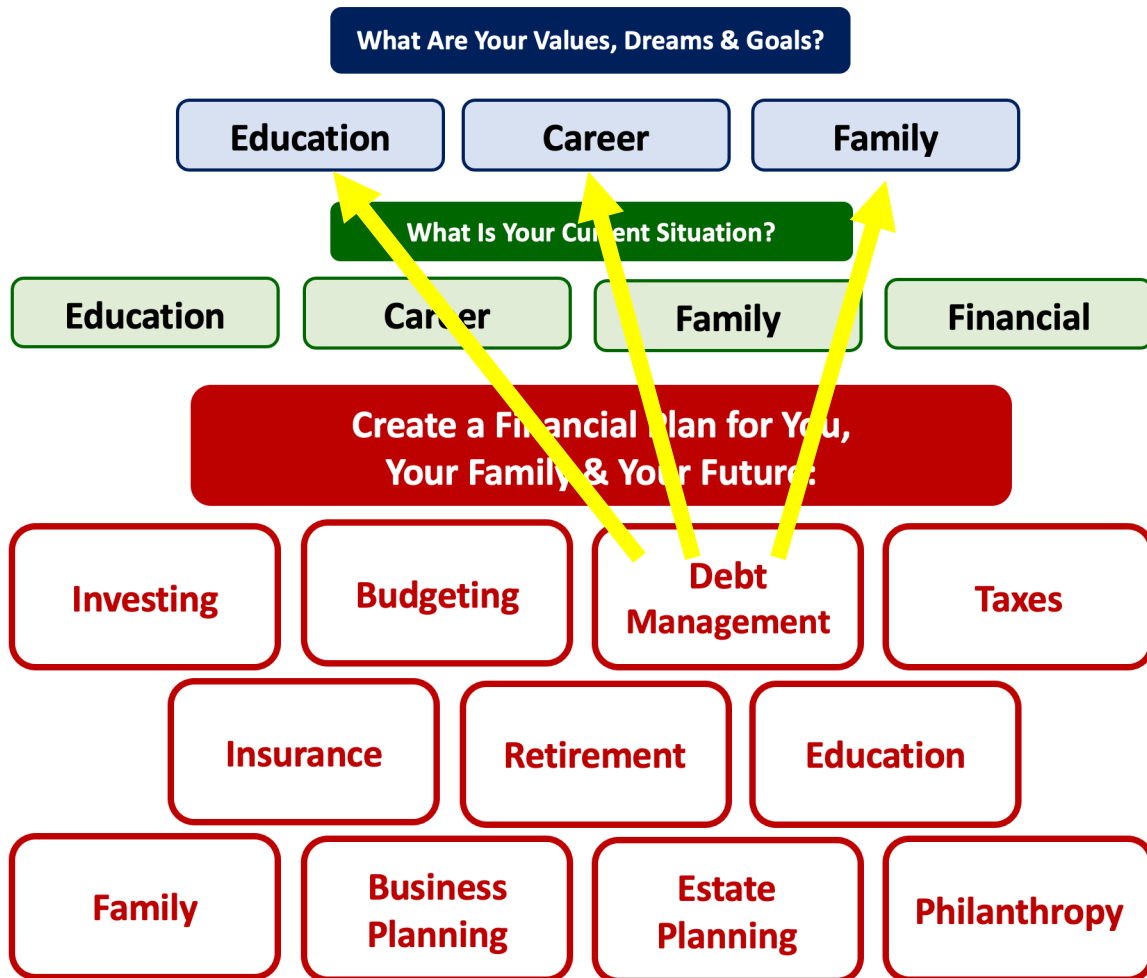


Debt is NOT a bad thing.

Debt can help us achieve our goals, depending on our current situations and what those goals are.

Debt is also called “leverage” – because it gives us the ability do things we might not be able to do otherwise.





Debt is NOT a bad thing.

My one primary piece of advice:

Whenever borrow money – whether it’s \$20 for a Friday night pizza on your credit card or a \$10,000 student loan – have a plan for paying it back.

Know why you are borrowing and where you will get the money to repay it.



← Good Debt vs. Bad Debt →



Is this debt aligned with my values, goals & dreams?

How am I going to repay this debt?



← Good Debt vs. Bad Debt →

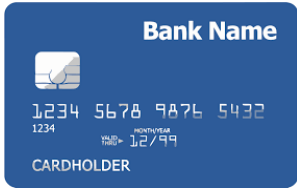
NOTE:

*Using a credit card is not necessarily a bad idea.
Only racking up loads of credit card debt is a bad idea.*

*I regularly use 3 credit cards.
Here's how and here's why...*



Credits Cards as Tools for Financial Planning



Card #1: Automatic bill payment of recurring monthly expenses (phone, insurance, cable, utilities)



Card #2: Living and discretionary expenses (gas, groceries, coffee, pizza, new shoes)



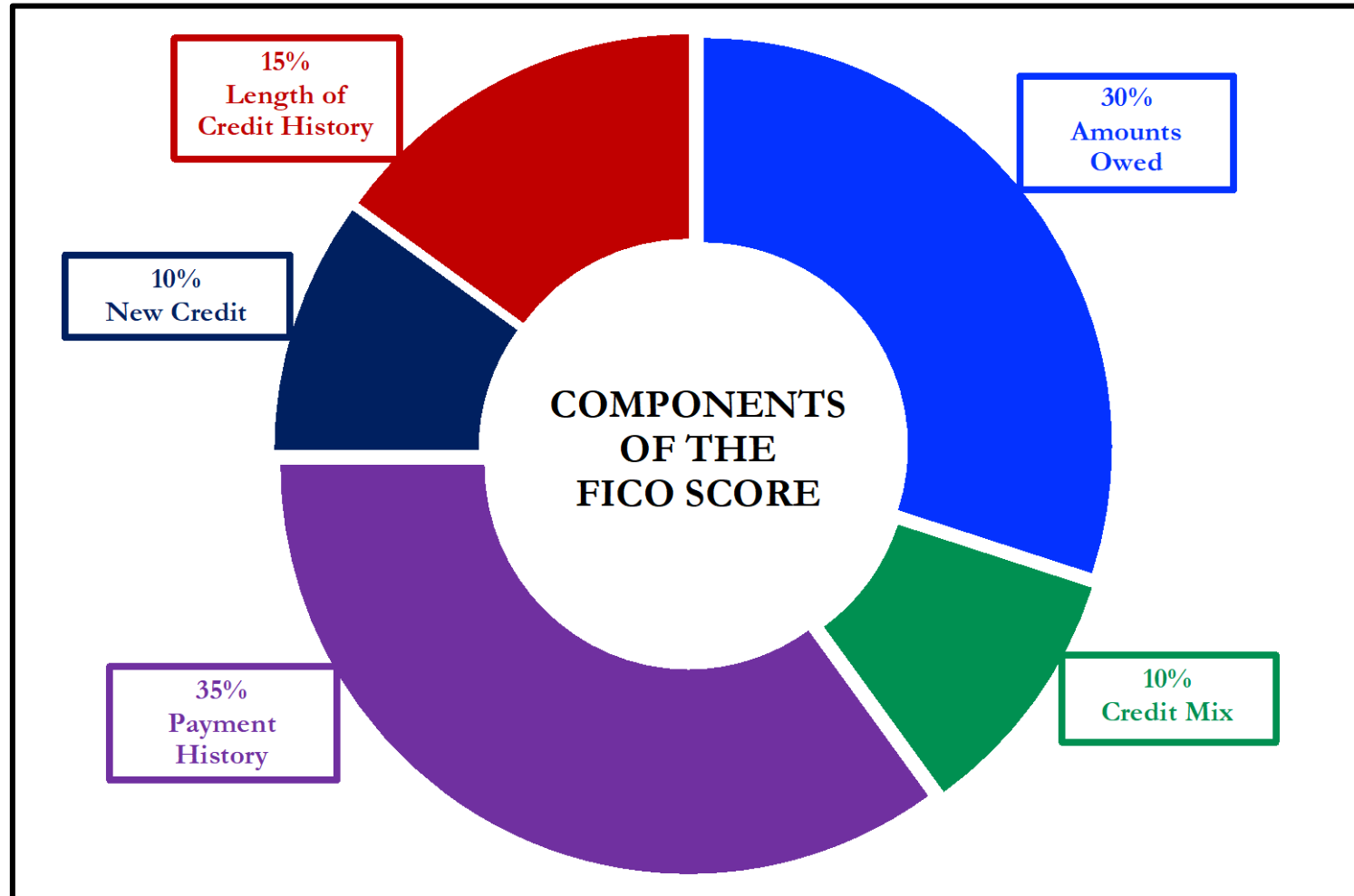
Card #3: Non-recurring big expenses (vacation, holidays, charity, new refrigerator)

Card #3 frequently has a \$0.00 balance



LET'S MAKE THIS PERSONAL...

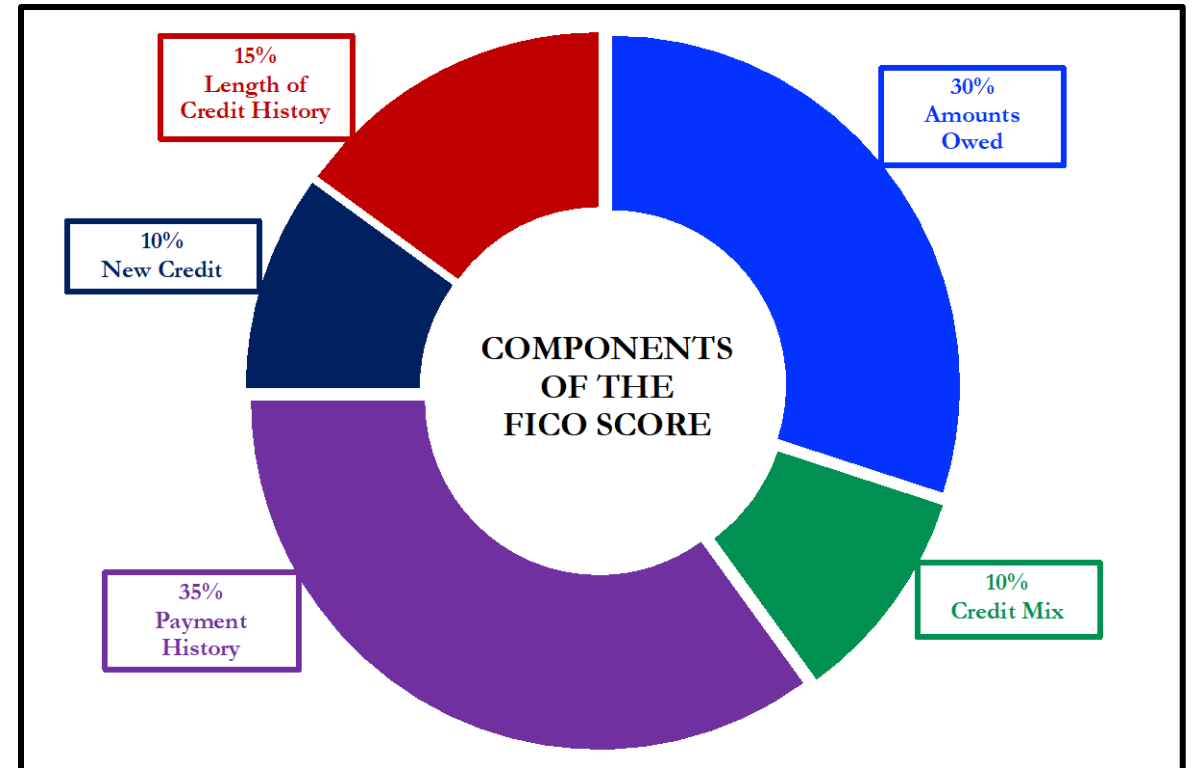
WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?



LET'S MAKE THIS PERSONAL...

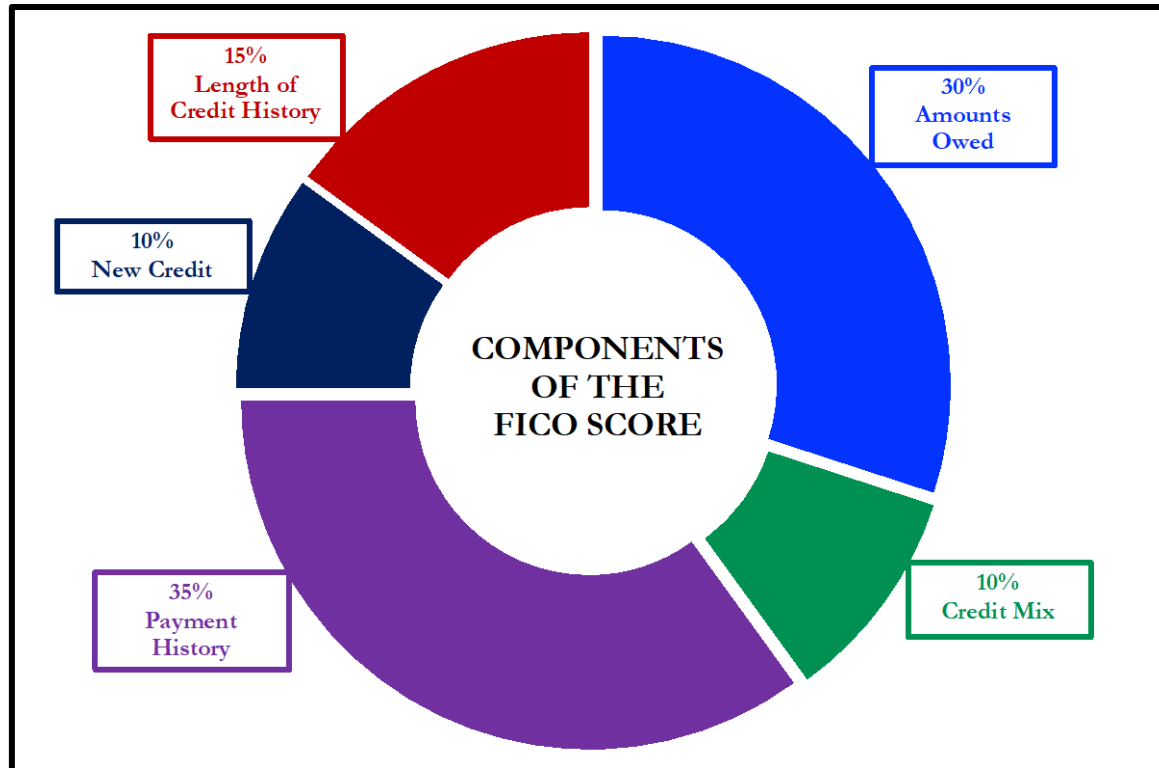
WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?

35% Payment History – This is perhaps the simplest category, as it looks at how well you repay all borrowed amounts on credit cards, retail accounts, auto loans, utilities and phone bills, other installment loans and other debts. The better you are at repaying, the better your Payment History. Pay your bills on time.



LET'S MAKE THIS PERSONAL...

WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?



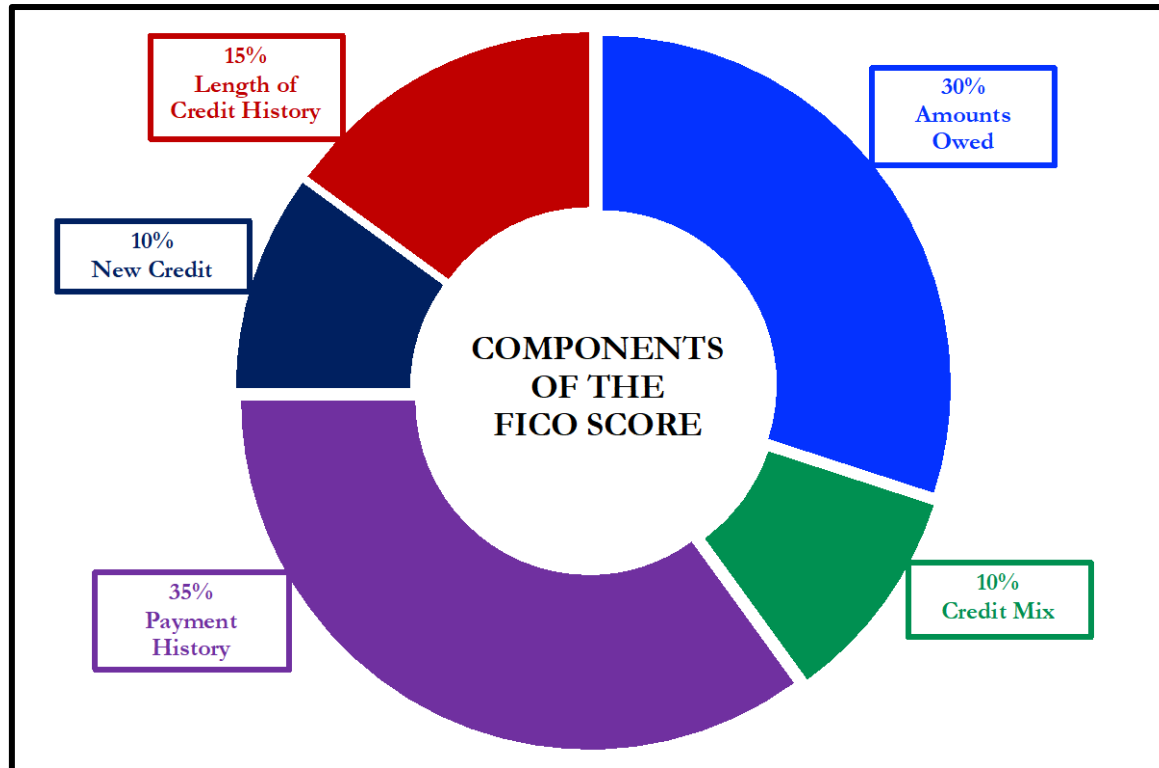
30% Amounts Owed –The amount you owe is not simply about how much money you owe, but it's also about how much of your available credit you use. If you have a credit card limit of \$5,000 and your balance is \$4,000, that's worse than having a limit of \$20,000 and a balance of \$10,000. There are many trade-offs within this category and it can be confusing.

Pro-tip if you are using more than 30% of your available balance: Pay it off or down before the end of your reporting cycle and the credit agencies will never know it existed.



LET'S MAKE THIS PERSONAL...

WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?



30% Amounts Owed –The amount you owe is not

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One thing you can do tomorrow that might improve your credit score:

Ask for a credit limit increase on all of your credit cards or outstanding lines of credit.

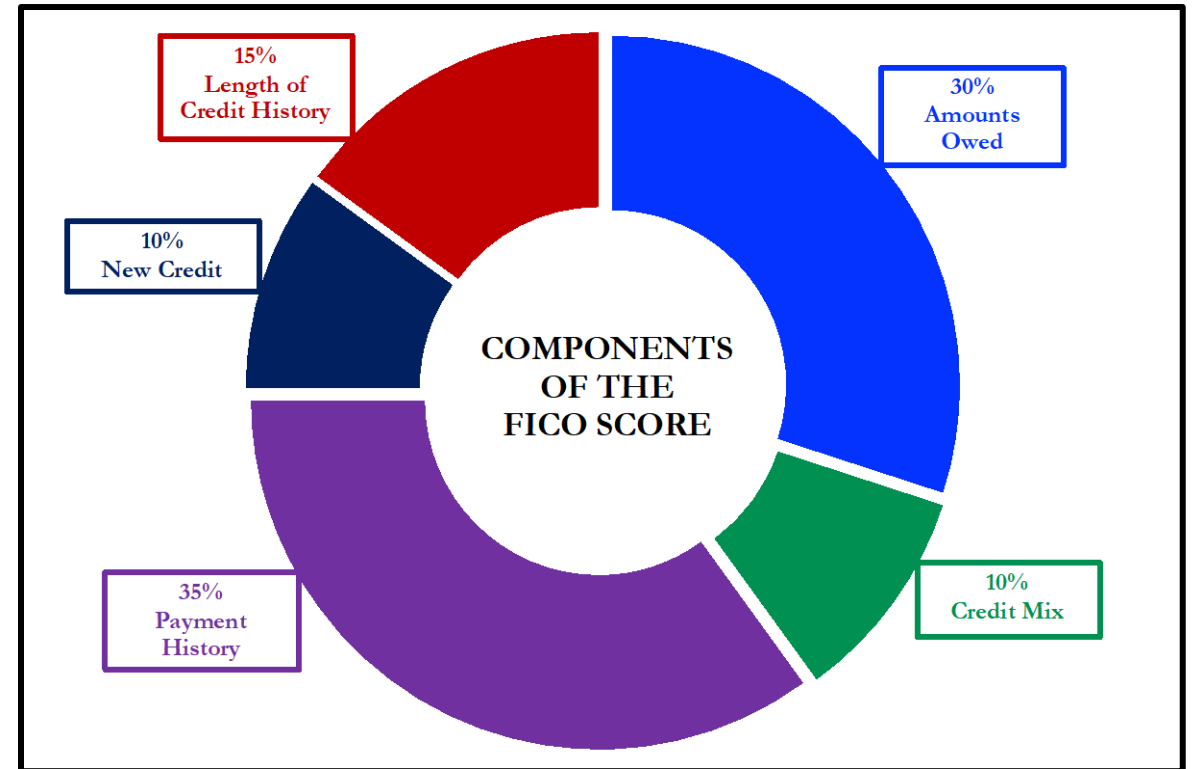
Pro-t
avail
end of your reporting cycle and the credit agencies will never know it existed.



LET'S MAKE THIS PERSONAL...

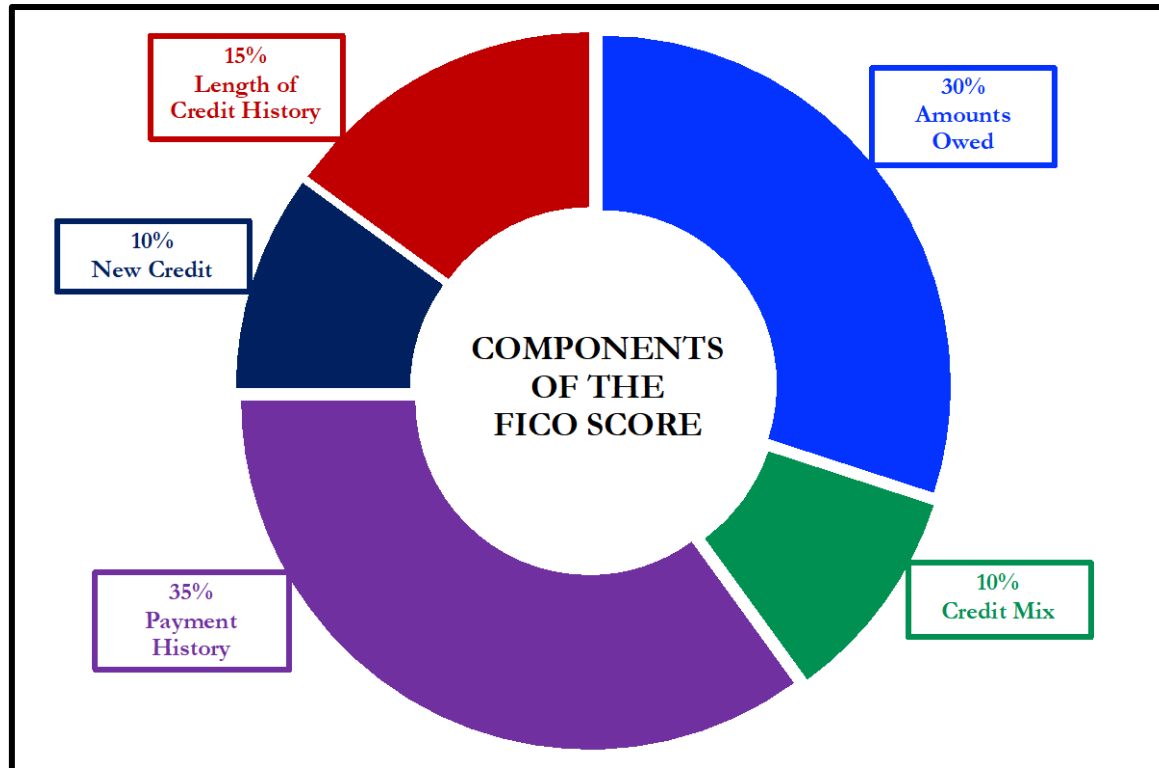
WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?

15% Length of Credit History – This is also pretty simple – the longer your history of paying bills and loans, the better off you'll be. Yes, this does bias against younger borrowers – but if your behavior in the other categories is strong, you should be okay. Be patient – you'll build your history.



LET'S MAKE THIS PERSONAL...

WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?



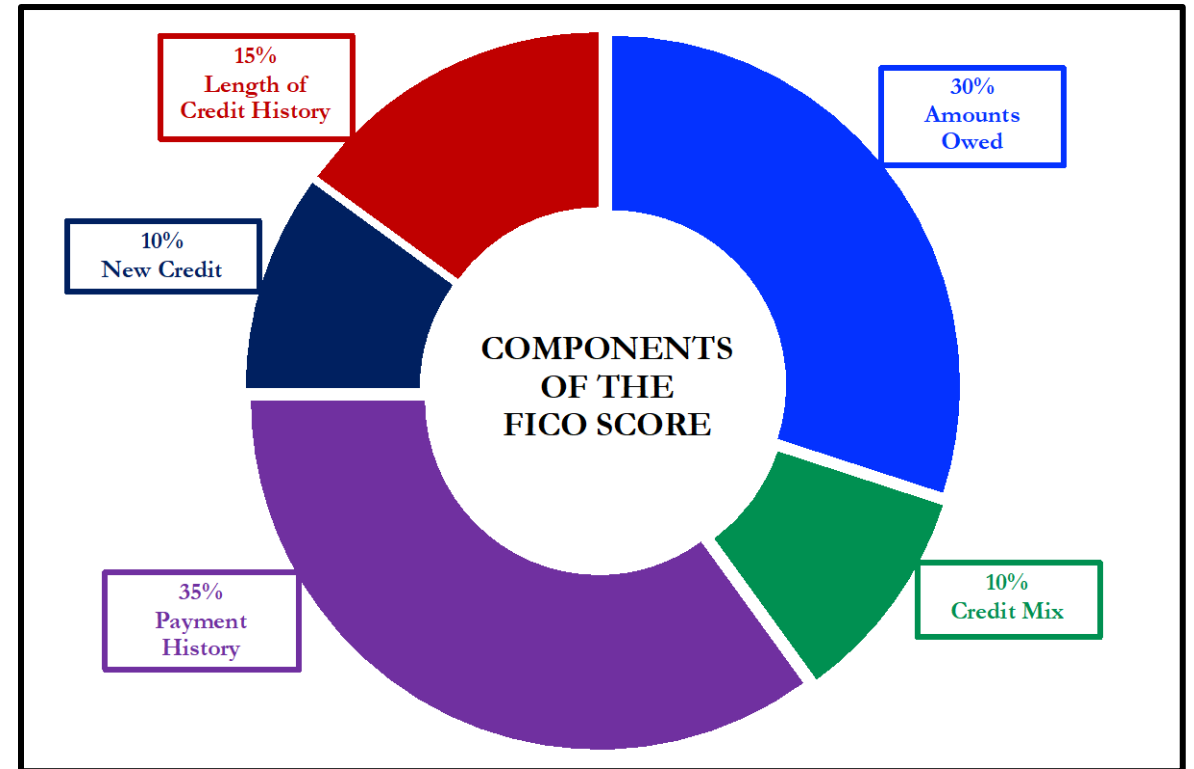
10% Credit Mix – Perhaps ironically, it can be better to have 5 different accounts that you repay regularly than it is to have just 2 different accounts. The greater the variety of accounts you have, the more opportunity you have to indicate that you are a low credit risk. Of course, if you have 5 accounts and you miss your payments, that will be doubly bad. Pay your bills on time and the Credit Mix will take care of itself.



LET'S MAKE THIS PERSONAL...

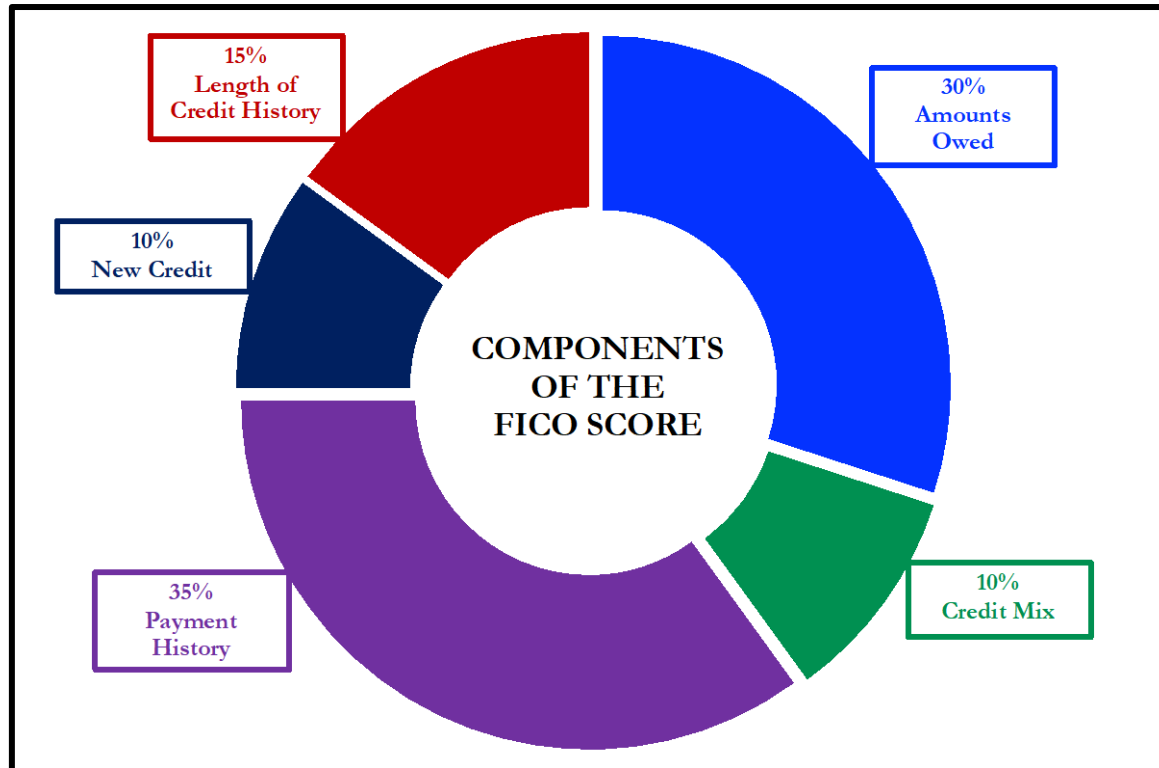
WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?

10% New Credit – Opening a large number of new accounts in a short period of time may indicate that you are a higher risk. So, is the moral to never open new accounts? No – because then you can never indicate that you are a low risk. Be mindful of opening too many accounts in a short period of time, pay all your bills on time, and the New Credit category will not be a big issue.



LET'S MAKE THIS PERSONAL...

WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?



Your FICO Score will become an actual number: between 250 and 900. The higher your Score, the lower interest rates you will pay on most loans. The average FICO Score for Americans is just over 700.

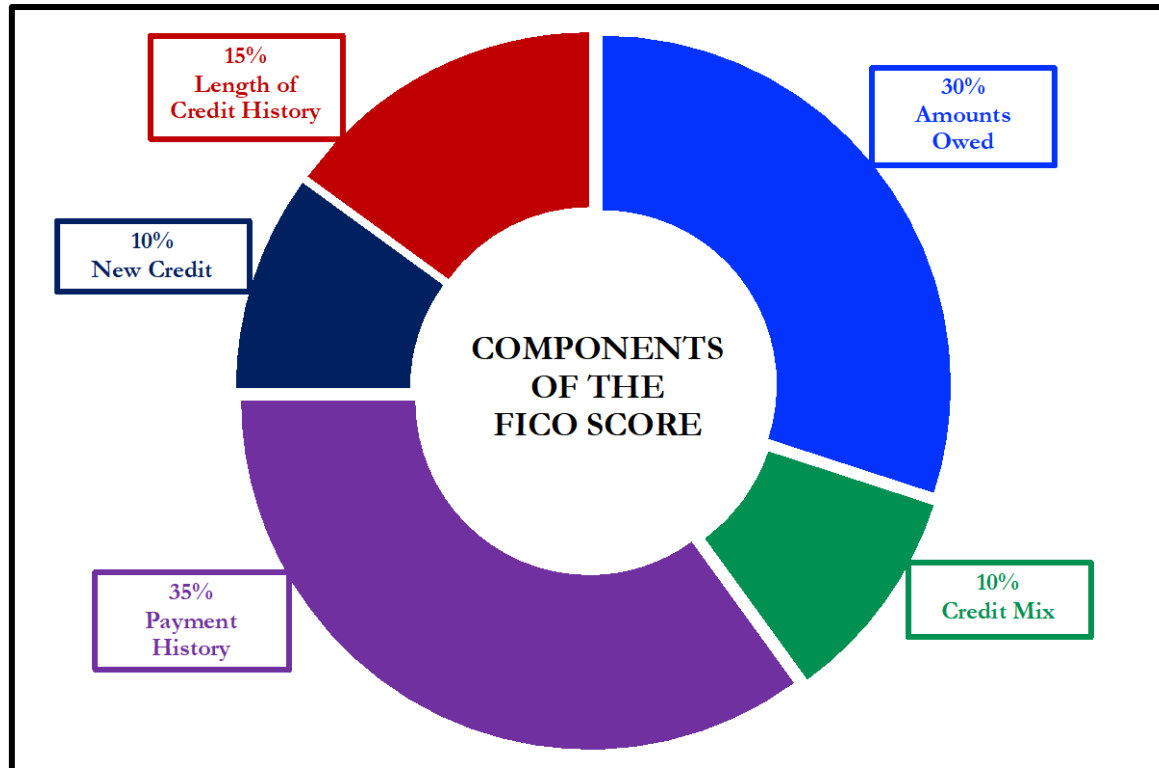
Below 580	Poor, or High-Risk
580-669	Fair, or Moderate Risk
670-739	Good, or Average Risk
740-799	Very Good, or Low Risk
800-900	Exceptional, or Very Low Risk

The average in Louisiana is 677, the second lowest in the 50 U.S. states; only Mississippi has a lower average FICO Score.



LET'S MAKE THIS PERSONAL...

WHAT SHOULD YOU BE FOCUSED ON WITH RESPECT TO YOUR CREDIT SCORE?

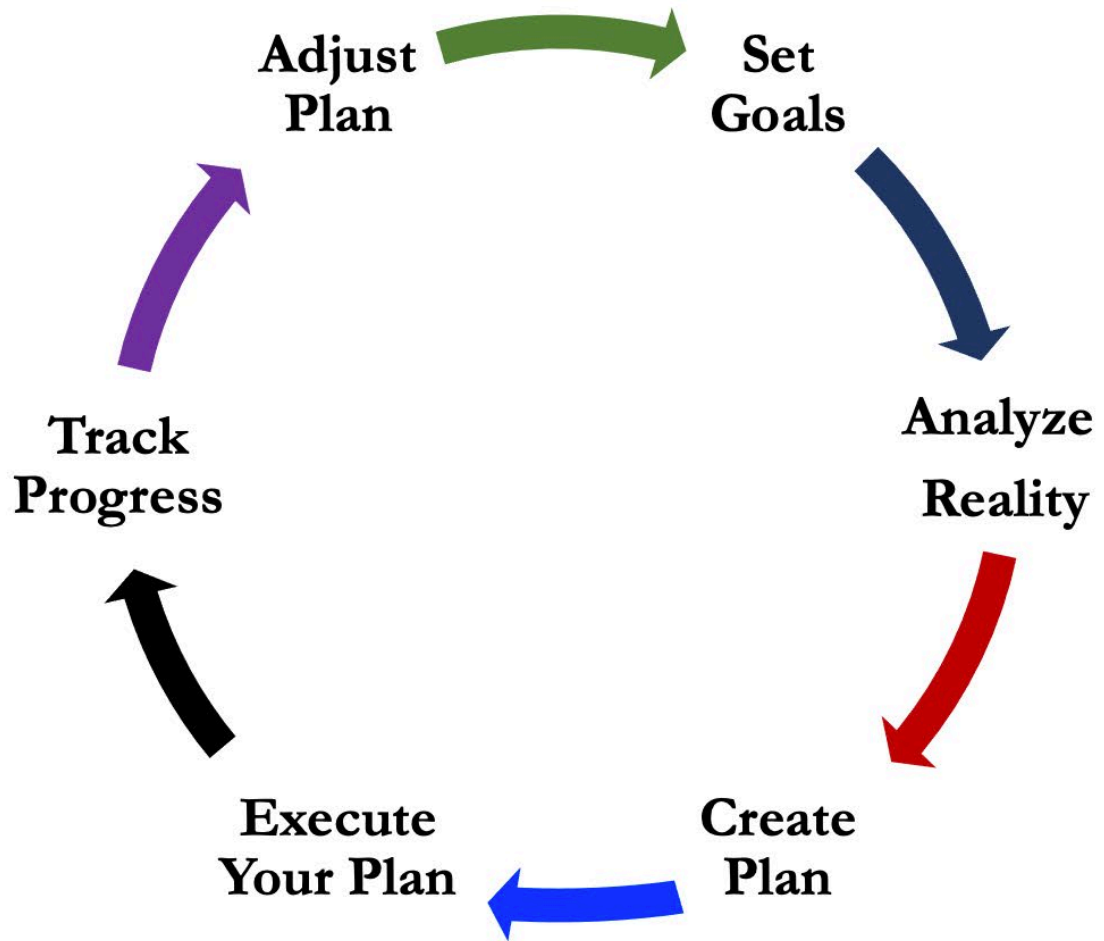


If your FICO Score is below 600, there are probably 1 or 2 areas where you have significant weaknesses in your history. Commit to correcting these weaknesses and not creating any new weaknesses.

If your FICO Score is between 600-700, there are probably 1 or 2 areas that can be improved – or where you used to have significant weaknesses. Keep doing what you're doing – and commit to not creating any new concerns.

If your FICO Score is over 700, keep doing what you're doing and time will eventually get you the best score possible.





1. **Set your goals.** What do you want to achieve in life? What financial goals will make this happen?
2. **Analyze your reality.** What is your situation? What is your income? What are your expenses? When can you achieve your goals?
3. **Create your plan.** Focus on the short-term – the next 3-6 months – and the long-term – the next 1, 2, 5 and 10 years.
4. **Execute your plan.** Work to decrease your expenses, and to pay off debt. Work to increase your income and your savings.
5. **Track your progress.** How are you doing? Are you ahead of your goals? Are you behind your goals?
6. **Adjust your plan** to reflect your progress, your new reality and any new goals.
7. **Repeat. Revise. Enjoy.**

Isn't this a lot like what you do with your education planning?



Financial Wellness & Resilience

- ***Resetting your financial plan***
 - ***Revisit your values and identify your short- and long-term goals***
 - ***Analyze your insurance, phone, subscription and other expenses***
 - ***Should you look for a new job?***
 - ***Start a money journal – note your behaviors, feelings and emotions related to how you spend money***
 - ***Share your financial goals with your family***



TODAY

THE NEXT 6 MONTHS

THE NEXT 12 MONTHS

2 YEARS AFTER GRADUATION

3 YEARS AFTER GRADUATION

**ONCE EVERY SEMESTER:
TRACK EVERY PENNY
THAT YOU SPEND &
TRACK EVERY PENNY
THAT YOU EARN**

**IN THE NEXT 3 MONTHS:
IDENTIFY WAYS TO
DECREASE YOUR
DISCRETIONARY
SPENDING BY 25%**

**IN THE NEXT 6 MONTHS:
MAKE A PLAN TO
MANAGE – AND PAY OFF
– YOUR DEBT**

**IN THE NEXT 6-12
MONTHS:
OPEN MULTIPLE
SAVINGS ACCOUNTS, 1
FOR EACH GOAL**

**IN THE NEXT 12 MONTHS,
OPEN AN IRA OR ROTH IRA**

**WITHIN 2 YEARS OF
GRADUATION:
HAVE AN “EMERGENCY
FUND” ACCOUNT, WITH 3-6
MONTHS OF NON-
DISCRETIONARY EXPENSES**

**WITHIN 3 YEARS OF
GRADUATION:
ELIMINATE ALL OF YOUR BAD
DEBT.**



Financial Wellness & Resilience

- *Tax planning*
 - *Do you want to make any charitable donations before year-end (or wait until January)?*
 - *Should you recognize any investment gains or losses before year-end?*
 - *Do you know all of the deductions and credits that you are eligible for?*
 - *Did you receive a tax refund this year? Do you really want a tax refund each year?*



Financial Wellness & Resilience

• *Summer Work*

- *If you're earning money this summer, make a plan for how that money is going to help you achieve your future goals.*
 - *Yes, it's okay to enjoy some of that money during this summer...but maybe don't enjoy ALL of it.*
- *If you're not earning money this summer, this is a great time to develop budgeting habits that will serve you in the long-term.*
- *When do you transition from a job that pays well (but doesn't align with your career goals) (like bartending) to an internship or lower-paying job (that does align with your career goals)?*
 - *Only you can decide that...but you probably will have to decide at some point.*



Financial Wellness & Resilience

- *Holiday spending*
 - *Set a budget & make lots of lists*
 - *Make a list of what you are going to buy*
 - *Make a list of what you are NOT going to buy*
 - *Have open conversations about money with your family*

- *New Year's Resolutions*
 - *Create specific financial goals (For example...Eliminate 3 subscriptions this year)*
 - *Create generic financial goals (For example...Improve my credit score)*
 - *Think about how financial resolutions relate to other resolutions*
 - *If you want to exercise, travel or read more, what will it cost?*



Financial Wellness & Resilience

- *Revisiting your family, personal & career goals*
 - *What do you want to achieve over the next 1-2 years?*
 - *What do you want to achieve over the next 3-5 years?*
 - *What do you want to achieve over the next 10 years?*
- *As you revisit your goals, be sure to communicate with your family and anyone else affected by your goals.*



Long-Term Investment Planning

YOUR VALUES

YOUR GOALS

**FINANCIAL
STRATEGIES**

**INVESTMENT
STRATEGIES**

**Identify Your Risk
Tolerance**

**Identify Your Time
Horizons**

Select Investments

**Monitor & Modify
Investments**



Long-Term Investment Planning



Long-Term Investment Planning

**FINANCIAL
GOALS**

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**EDUCATION
GOALS**

**EDUCATION
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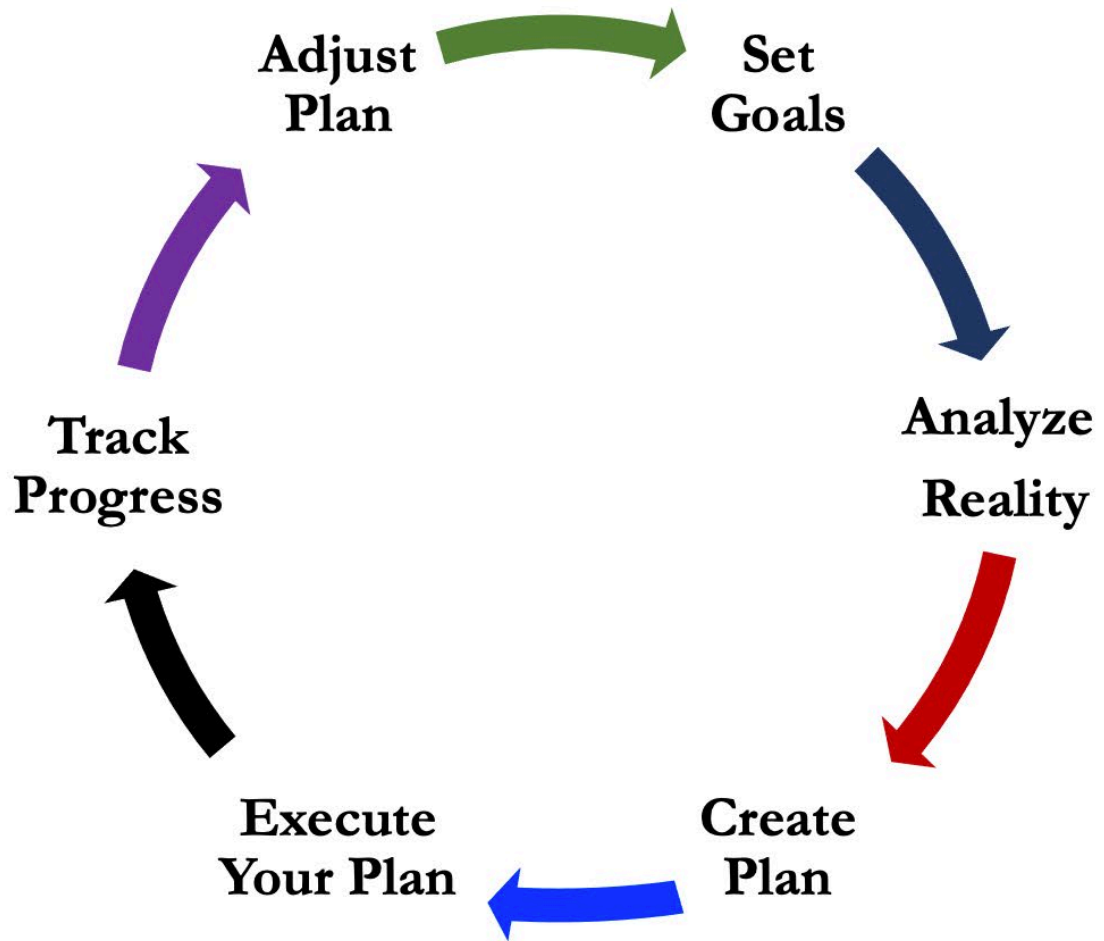
**Identify Your Risk
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**Identify Your Time
Horizons**

**Select Your Field, Program,
Specialization, Thesis**

**Monitor & Modify
Your Progress & Plan**





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7. **Repeat. Revise. Enjoy.**

Isn't this a lot like what you do with your education planning?



Long-Term Investment Planning

FINANCIAL GOALS

INVESTMENT STRATEGIES

Identify Your Risk Tolerance & Priorities

Identify Your Time Horizons

Select Investments

Monitor & Modify Investments

YOU,
as college students,
are better wired
and equipped to
make long-term
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**Be confident.
Be intentional.
Be diligent.
Be awesome.**

EDUCATION GOALS

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Owning Your Financial Future

YOUR VALUES

YOUR GOALS

Education

Career

Family

FINANCIAL STRATEGIES

Investing

**Income & Expense
Management**

**Debt
Management**

**Taxes, Insurance
& Other**



What is INVESTING?

Investing is saving for the future.

- We typically think of investing as long-term – anywhere from 1 or 2 years all the way through retirement.
- Saving vs. Investing
 - Saving can be short-term, Investing is typically long-term.
 - Saving is passive, Investing is dedicated...it could be relatively passive or extremely active.
 - Passive: Mutual funds. Extremely Active: Owning an apartment complex.
 - Saving is typically very low risk, Investing generally has more risk.
 - Saving provides low returns on investment (currently about 0.0%)
Inflation is risky...You can lose 100% or realize huge positive returns.



What Is Your Investing Goal?

Take a few seconds to ask yourself:

Why Are You Investing?

What are your investing goals?

To buy a house?

To buy a car?

To pay off debt?

To retire?



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- (A) \$100 in cash today
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#3 Which would you rather we give you:

- (A) \$100 in cash today
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A Few Rules About INVESTING

- Risk matters. Know your risk tolerance.
- Goals matter. Be intentional about what you are saving for.
 - Maybe create 3-5 different investment accounts for different goals.
 - This is what I do – I'll show you why in a bit.
- Transaction costs matter. You can pay a lot of fees for not much benefit or service. Be careful.
- Experts rarely have tips or secrets. Investing is about predicting the future, and none of us can predict the future (perfectly). Be careful.
 - If there really were sure-things or get-rich-quick schemes, the experts would be using them themselves, not sharing them with you.
- Communicate with your family. Achieving goals is a family affair.



A Few Rules About INVESTING

- Investing lets **COMPOUND INTEREST** be your friend.
 - With compound interest, your interest earns interest.
 - Without actively making decisions, your money can grow exponentially.
- Yes, there is risk – the exponential growth rate could be negative.
- Such risk is greatest if you ‘invest’ over very short periods of time.
- Historically, over the past 100+ years, if you invest for 5+ years, you have benefited from positive exponential growth.
- The average return of a common stock over the past 100 years is 10%.
 - The word ‘average’ is very important here. But, the good news, we can all achieve ‘average’ returns relatively easily (though they may not be 10% in the future)



A Few Rules About INVESTING

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 - Invest \$100 at 10% interest or growth:
 - Year 1: $\$100 \times (1 + 10\%) = \110
 - Year 2: $\$110 \times (1 + 10\%) = \121
 $\$100 \times (1 + 10\%)^2 = \121
 - Year 1: \$10 of interest
 - Year 2: \$10 of interest on your original \$100
+ \$1 of interest on year 1 interest



Expertise Matters

- Take a minute to think about the following question:

What do YOU do better than 99.9% of humanity?

- Think about what you're studying. Think about what you've been working on for years. Think about what you know that I do not know.
- I've probably only spent 1-2 hours studying what you have dedicated your life to studying and becoming an expert in.
- Could I do your job as well as you do it?

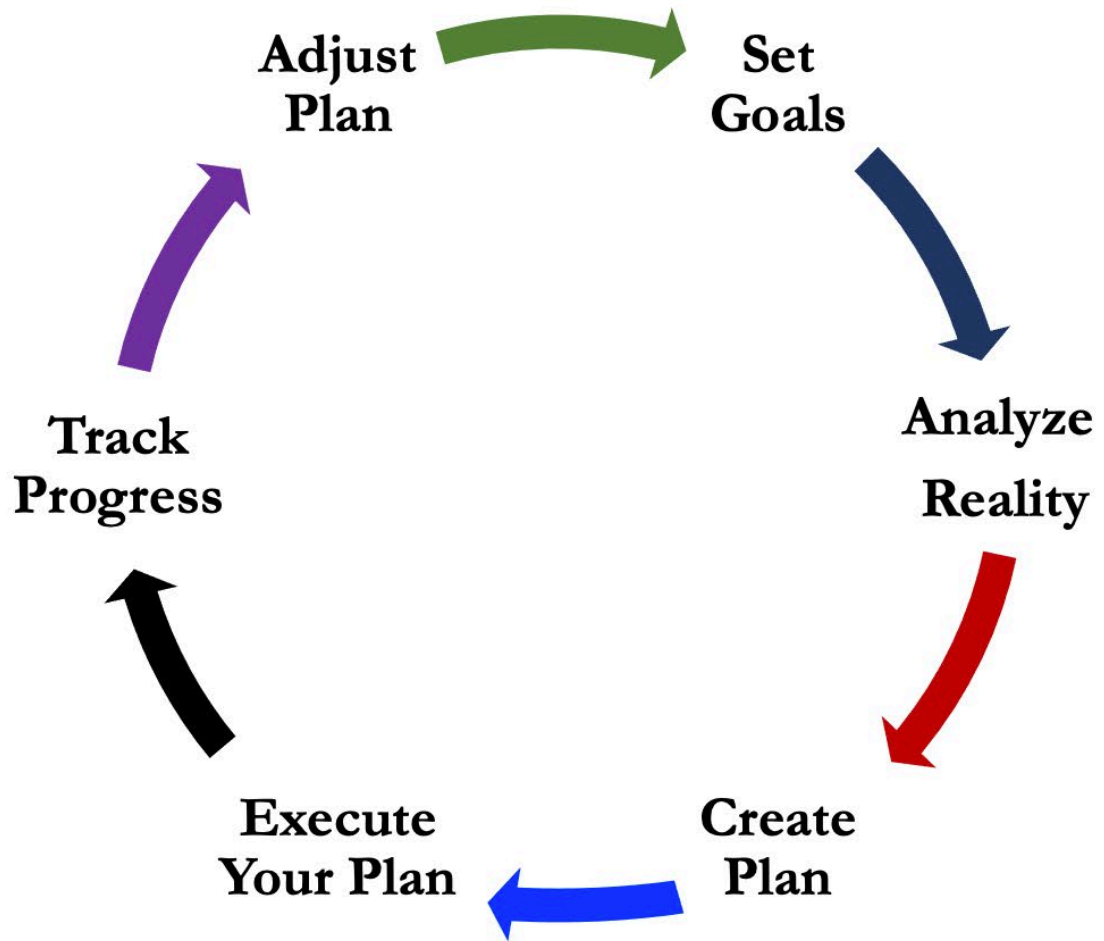


Expertise Matters

- Of course, I couldn't do your job as well as you.
- Now connect this logic to investing: there are many professionals who have dedicated their lives to making investments. They are good.
 - Yes, there are many amateurs involved in trading stocks – but they (usually) account for a very minor portion of the total money invested.
- Remind yourself of this old gambling maxim:

When you are sitting at the poker or gambling table, take a look around and see if you can figure out who the sucker is. If you cannot identify who the sucker is, then the sucker is probably you.





1. **Set your goals.** What do you want to achieve in life? What financial goals will make this happen?
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Determining Your Risk Tolerance

High Risk Attitude

I want to summer in Paris and winter in Hawaii

Medium-High Risk Attitude

I will work through normal retirement age, but I want my spouse to retire early - and we want to visit Paris & Hawaii

Medium-Low Risk Attitude

I want my children to have a college education

Low Risk Attitude

I want food on the table and a roof over my head

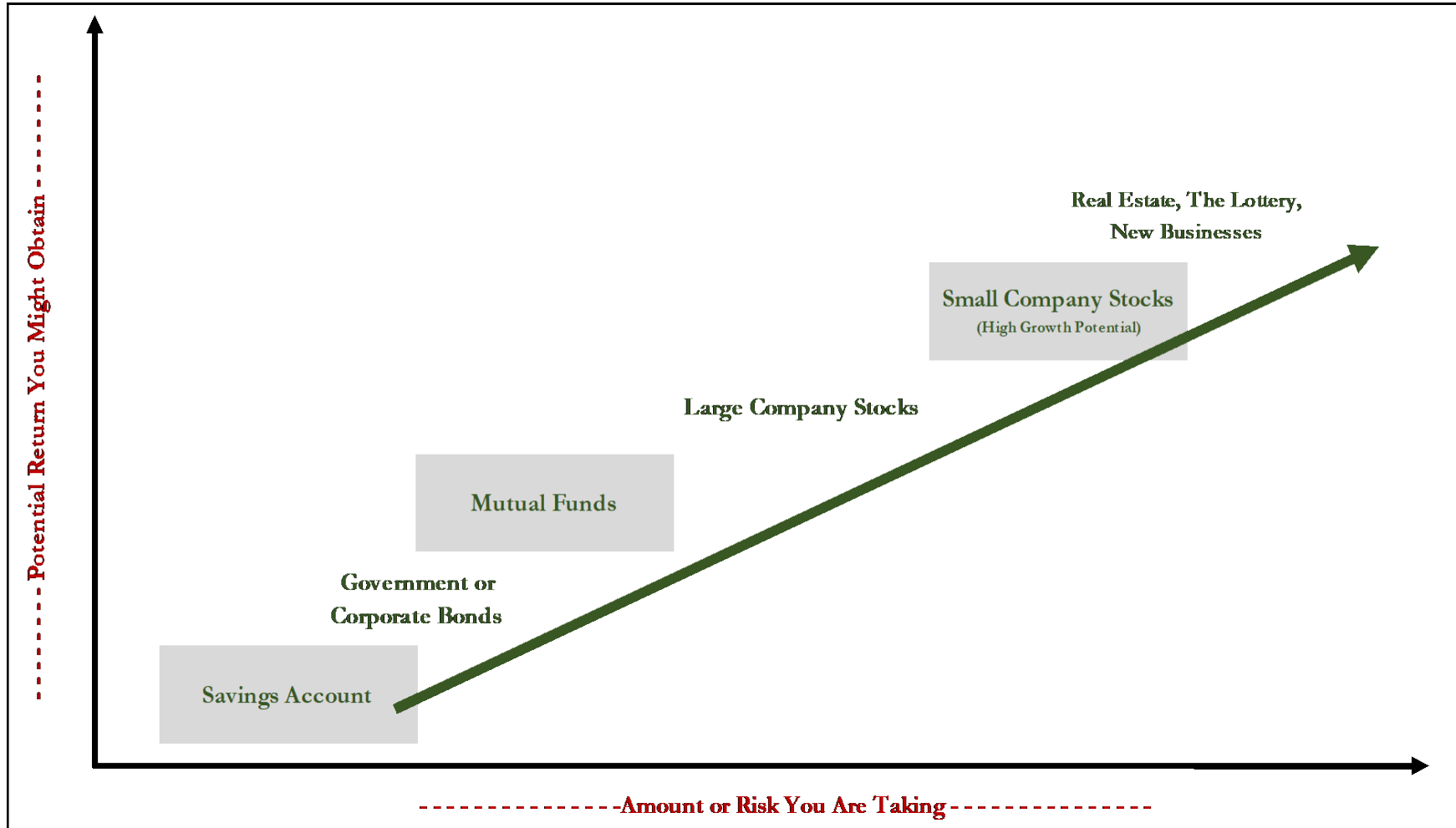


Determining Your Risk Tolerance

Global Portfolio Allocation Scoring System (PASS) for Individual Investors					
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Earning a high long-term total return that will allow my investments to grow faster than the inflation rate is one of my most important objectives.	5	4	3	2	1
I would like an investment that provides me with an opportunity to defer paying taxes on any gains far into the future.	5	4	3	2	1
I do not need my investments to provide a large amount of current income.	5	4	3	2	1
I am willing to tolerate some sharp down-swings on my investments in order to seek a potentially higher return than would normally be expected from more stable investments.	5	4	3	2	1
I am willing to risk a short-term loss in return for a potentially higher long-run rate of return.	5	4	3	2	1
I am financially able to accept a low level of liquidity in my portfolio; I can wait for several years before needing cash from my investments.	5	4	3	2	1



Comparing Different Investments

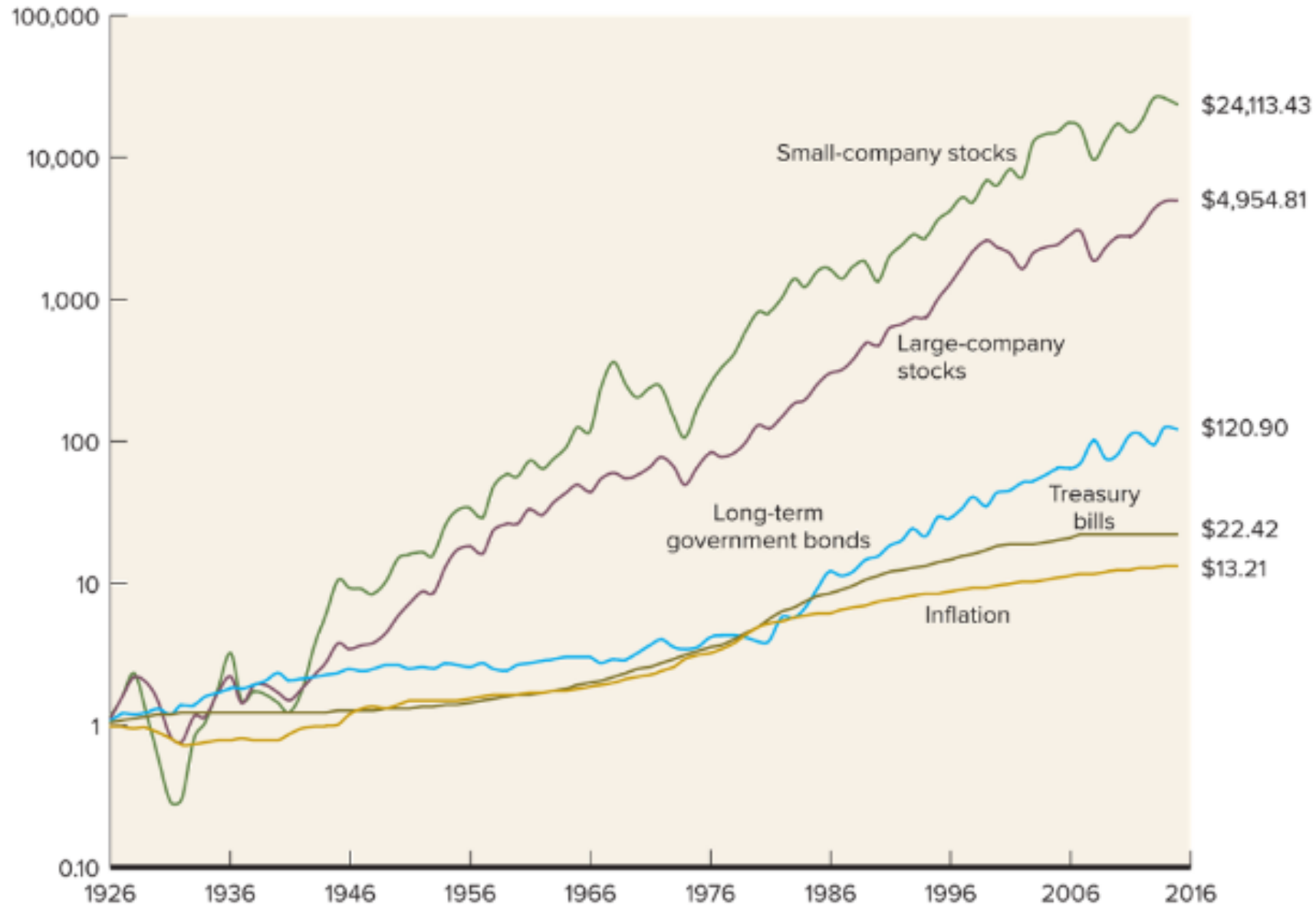


Comparing Different Investments

What Investment Options Are Available to You?			
Type of Investment	Potential Return	Amount of Risk	Comments
Stocks - Large Companies with reliable income	Moderate - Historically 5-8% per year	Moderate. Losses are possible, but should be temporary	Good for long-term investors. Might provide regular income, which you would pay taxes on.
Stocks - Large Companies with less reliable income	Moderate - Historically 7-10% per year	Moderately High. Pretty big losses are possible, but should be temporary	Good for long-term investors. Probably do not provide regular income - you only get income when you sell.
Stocks - Smaller Companies with high potential for growth	High - Historically 10-12% per year	High. Pretty big losses are possible, but should be temporary	Good for long-term investors. Probably do not provide regular income - you only get income when you sell.
Bonds - Corporate	Moderate - Historically 3-6% per year	Moderately low. Losses are unlikely.	Good for long-term investors. Will provide regular income, which you would pay taxes on.
Bonds - Government	Moderate - Historically 1-5% per year	Low. Losses are unlikely. You will get your money back.	Good for short- and long-term investors. Will provide regular income, but you won't pay taxes.
Mutual Funds - Either Stocks or Bonds	Moderate - Could be as low as 3-4% or over 10%.	Moderate. Huge gains are unlikely, losing everything is unlikely.	Mutual funds pool money to make lots of investments; your risk is lower but won't own any specific company.
Real Estate	Who knows? Nobody knows.	Very High. Be prepared for anything.	Very sensitive to the overall economy. And the entry price can be very high.
Yourself + Your Education	Enormous	Very low if you work hard. Very high if you're lazy.	Without question, the best investment you can make. You get to determine how much this investment pays off.
The Lottery	Negative	Very High	See the next Chapter - You should expect to lose all of your money.



Comparing Different Investments



The Magic of Compound Returns

How Much Will You Have By Saving or Investing Annually for 10 Years?

Interest Rate on Savings or Rate of Return on Investments	Savings Amount per Year				
	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000
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7%	\$13,816	\$27,633	\$41,449	\$55,266	\$69,082
8%	\$14,487	\$28,973	\$43,460	\$57,946	\$72,433
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Owning Your Financial Future

What Are Your Values, Dreams & Goals?

Education

Career

Family

What Is Your Current Situation?

Education

Career

Family

Financial

Create a Personal Financial Plan for You:

Investing

Budgeting

Debt
Management

Taxes

Insurance

Retirement

Education

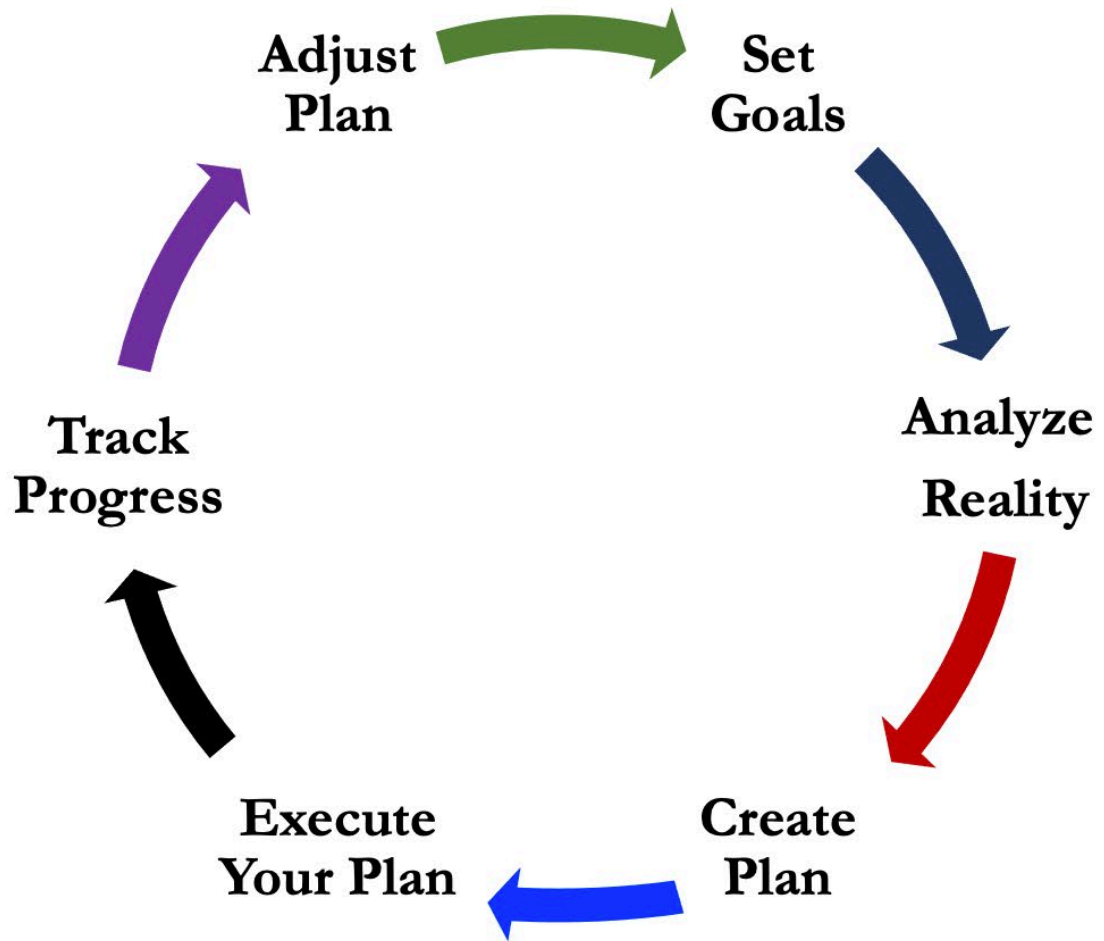
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Identify Your Time Horizons

Select Investments

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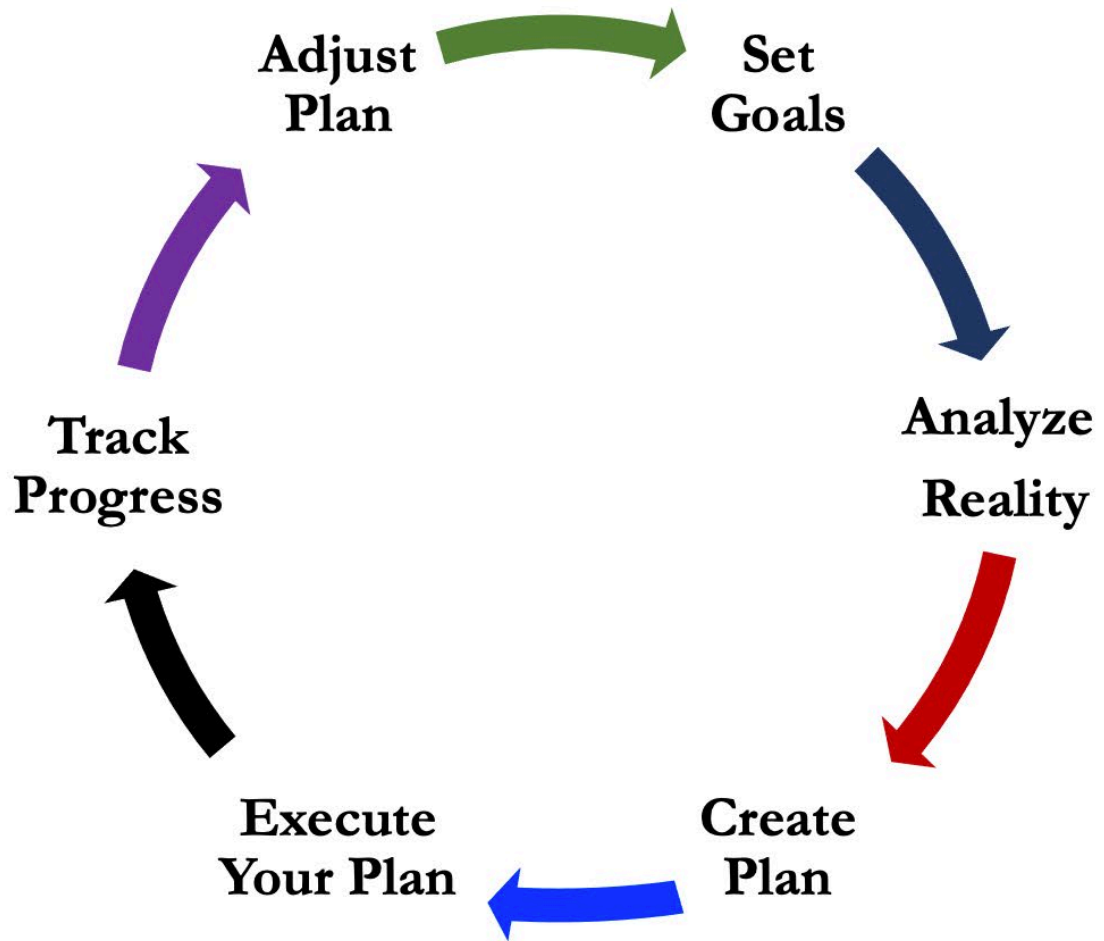


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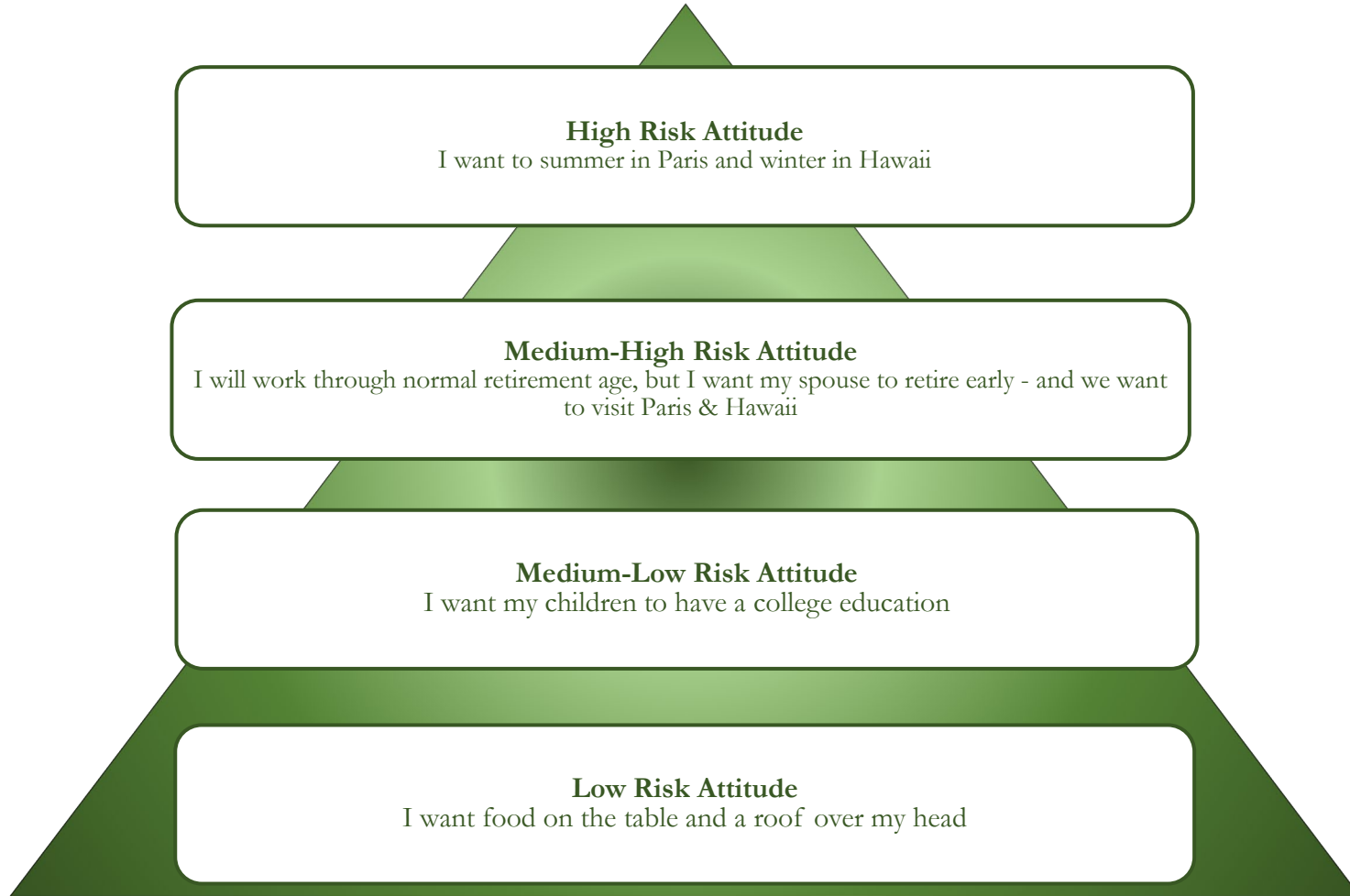


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Determining Your Risk Tolerance

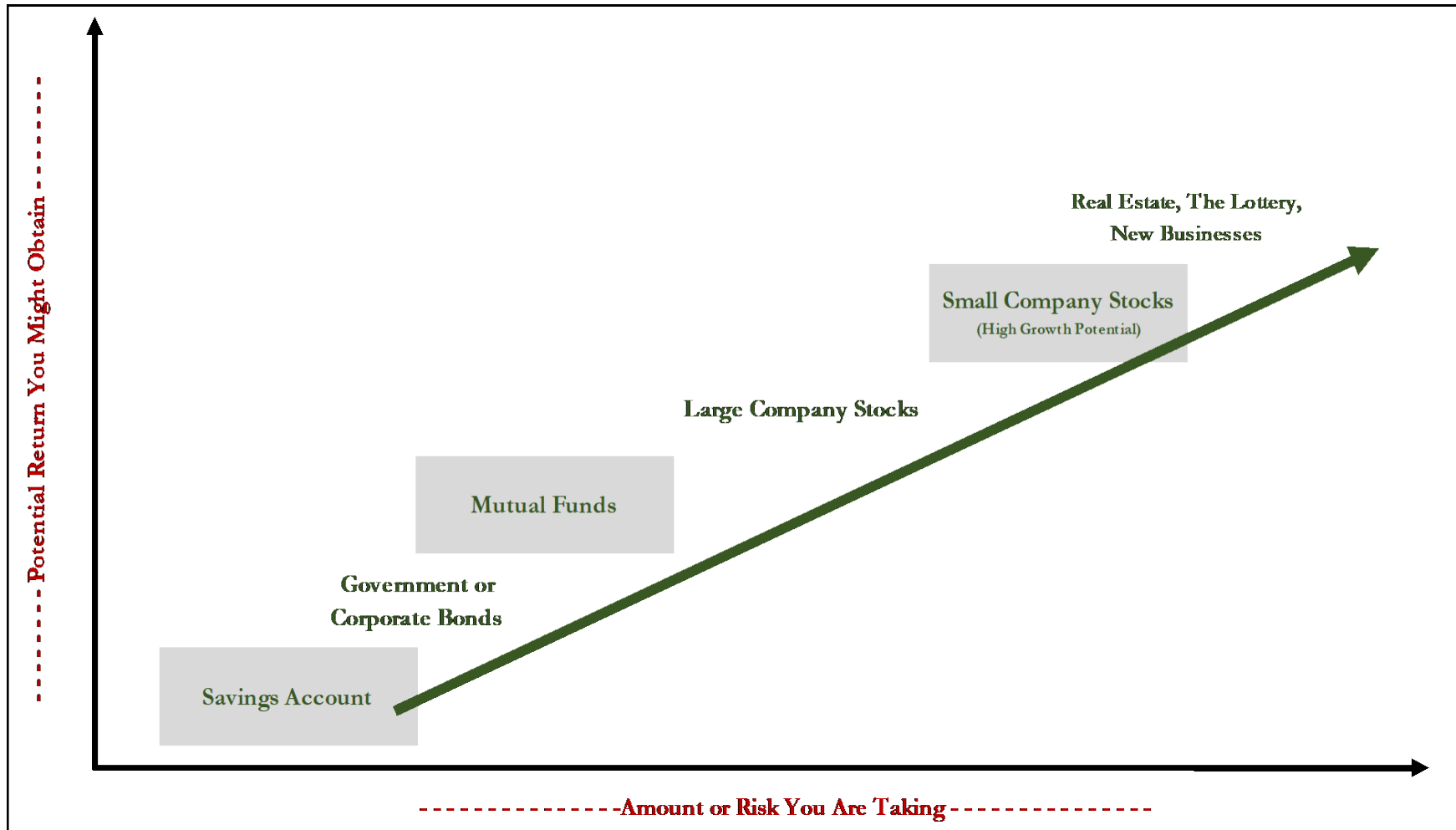


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Comparing Different Investments

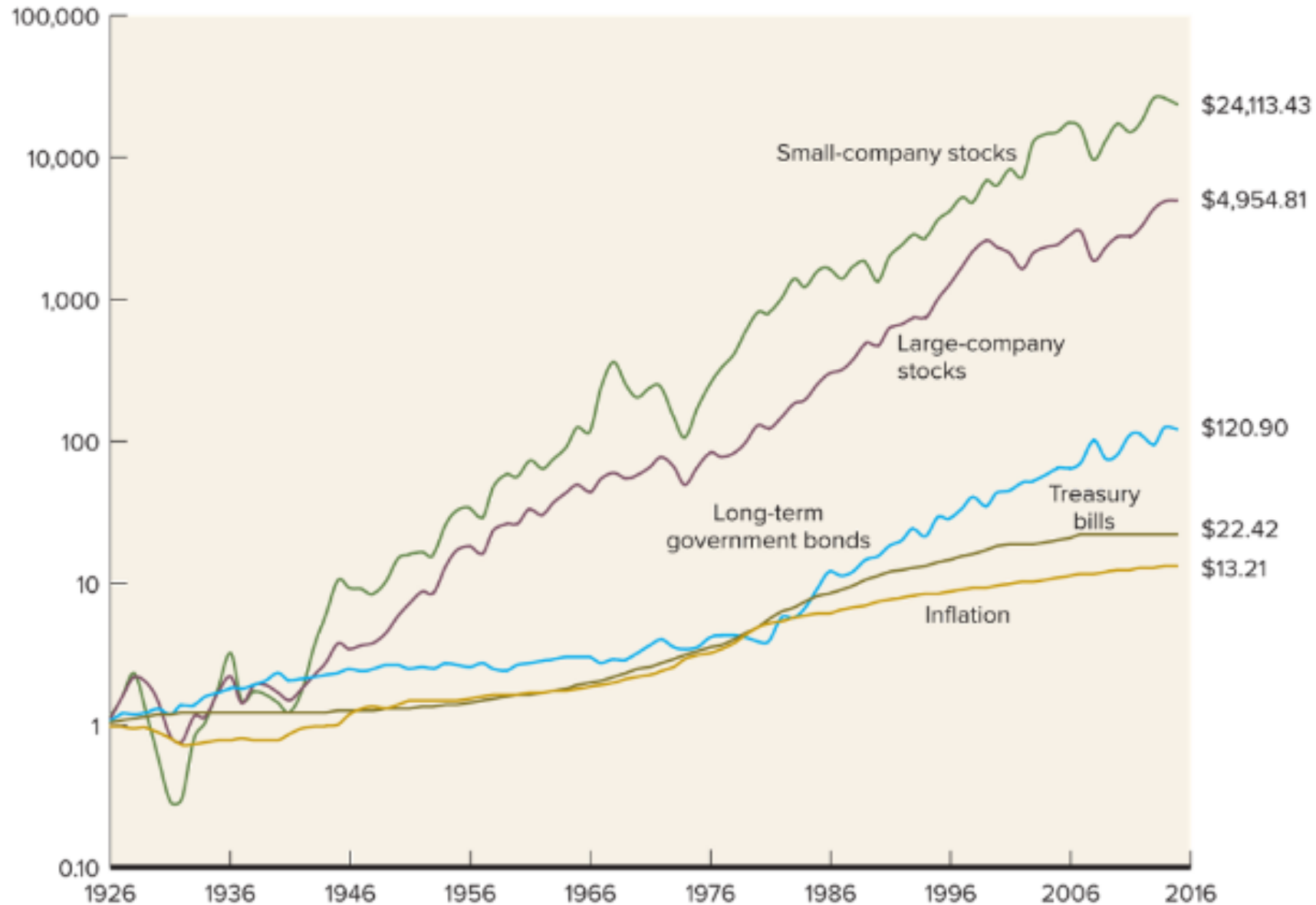


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Bonds - Corporate	Moderate - Historically 3-6% per year	Moderately low. Losses are unlikely.	Good for long-term investors. Will provide regular income, which you would pay taxes on.
Bonds - Government	Moderate - Historically 1-5% per year	Low. Losses are unlikely. You will get your money back.	Good for short- and long-term investors. Will provide regular income, but you won't pay taxes.
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Real Estate	Who knows? Nobody knows.	Very High. Be prepared for anything.	Very sensitive to the overall economy. And the entry price can be very high.
Yourself + Your Education	Enormous	Very low if you work hard. Very high if you're lazy.	Without question, the best investment you can make. You get to determine how much this investment pays off.
The Lottery	Negative	Very High	See the next Chapter - You should expect to lose all of your money.



Comparing Different Investments



The Magic of Compound Returns

How Much Will You Have By Saving or Investing Annually for 10 Years?

Interest Rate on Savings or Rate of Return on Investments	Savings Amount per Year				
	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000
1%	\$10,462	\$20,924	\$31,387	\$41,849	\$52,311
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15%	\$20,304	\$40,607	\$60,911	\$81,215	\$101,519



The Magic of Compound Returns

How Much Will You Have By Saving or Investing Annually for 20 Years?

Interest Rate on Savings or Rate of Return on Investments	Savings Amount per Year				
	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000
1%	\$22,019	\$44,038	\$66,057	\$88,076	\$110,095
2%	\$24,297	\$48,595	\$72,892	\$97,189	\$121,487
3%	\$26,870	\$53,741	\$80,611	\$107,481	\$134,352
4%	\$29,778	\$59,556	\$89,334	\$119,112	\$148,890
5%	\$33,066	\$66,132	\$99,198	\$132,264	\$165,330
6%	\$36,786	\$73,571	\$110,357	\$147,142	\$183,928
7%	\$40,995	\$81,991	\$122,986	\$163,982	\$204,977
8%	\$45,762	\$91,524	\$137,286	\$183,048	\$228,810
9%	\$51,160	\$102,320	\$153,480	\$204,640	\$255,801
10%	\$57,275	\$114,550	\$171,825	\$229,100	\$286,375
11%	\$64,203	\$128,406	\$192,608	\$256,811	\$321,014
12%	\$72,052	\$144,105	\$216,157	\$288,210	\$360,262
13%	\$80,947	\$161,894	\$242,840	\$323,787	\$404,734
14%	\$91,025	\$182,050	\$273,075	\$364,100	\$455,125
15%	\$102,444	\$204,887	\$307,331	\$409,774	\$512,218

How Much Will You Have By Saving or Investing Annually for 40 Years?

Interest Rate on Savings or Rate of Return on Investments	Savings Amount per Year				
	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000
1%	\$48,886	\$97,773	\$146,659	\$195,545	\$244,432
2%	\$60,402	\$120,804	\$181,206	\$241,608	\$302,010
3%	\$75,401	\$150,803	\$226,204	\$301,605	\$377,006
4%	\$95,026	\$190,051	\$285,077	\$380,102	\$475,128
5%	\$120,800	\$241,600	\$362,399	\$483,199	\$603,999
6%	\$154,762	\$309,524	\$464,286	\$619,048	\$773,810
7%	\$199,635	\$399,270	\$598,905	\$798,540	\$998,176
8%	\$259,057	\$518,113	\$777,170	\$1,036,226	\$1,295,283
9%	\$337,882	\$675,765	\$1,013,647	\$1,351,530	\$1,689,412
10%	\$442,593	\$885,185	\$1,327,778	\$1,770,370	\$2,212,963
11%	\$581,826	\$1,163,652	\$1,745,478	\$2,327,304	\$2,909,130
12%	\$767,091	\$1,534,183	\$2,301,274	\$3,068,366	\$3,835,457
13%	\$1,013,704	\$2,027,408	\$3,041,113	\$4,054,817	\$5,068,521
14%	\$1,342,025	\$2,684,050	\$4,026,075	\$5,368,100	\$6,710,125
15%	\$1,779,090	\$3,558,181	\$5,337,271	\$7,116,361	\$8,895,452



The Magic of Compound Returns

Quiz Question on Compound Returns:

- Under which of the following scenarios will you have more money saved when you turn 65?
 - (A) Investing \$100 per month from age 25-35 (and then nothing from 35-65)
 - (B) Investing \$100 per month from age 35-65 (but nothing from 25-35)



The Magic of Compound Returns

Quiz Question on Compound Returns:

- Under which of the following scenarios will you have more money saved when you turn 65?
 - (A) Investing \$100 per month from age 25-35 (and then nothing from 35-65)
With an 8% return, you will have \$185,000 accumulated at 65.
 - (B) Investing \$100 per month from age 35-65 (but nothing from 25-35)
With an 8% return, you will have \$150,000 accumulated at 65.

Note: If the returns on your investments are less than 6%, (B) will lead to greater wealth.

There's a similar but different problem on page 37 of your handbook.



Review: A Few Rules About INVESTING

- Investing lets **COMPOUND INTEREST** be your friend.
 - With compound interest, your interest earns interest.
 - Without actively making decisions, your money can grow exponentially.
- Yes, there is risk – the exponential growth rate could be negative.
- Such risk is greatest if you ‘invest’ over very short periods of time.
- Historically, over the past 100+ years, if you invest for 5+ years, you have benefited from positive exponential growth.
- The average return of a common stock over the past 100 years is 10%.
 - The word ‘average’ is very important here. But, the good news, we can all achieve ‘average’ returns relatively easily (though they may not be 10% in the future)



Review: A Few Rules About INVESTING

- Investing lets **COMPOUND INTEREST** be your friend

Not to be too esoteric or philosophical...

But compound interest doesn't just apply to investing.

Compound interest applies to all aspects of college life:

- Time Management
- Mental Health
- Health Management
- Writing Skills
- Relationships
- And...Of course, Money Management



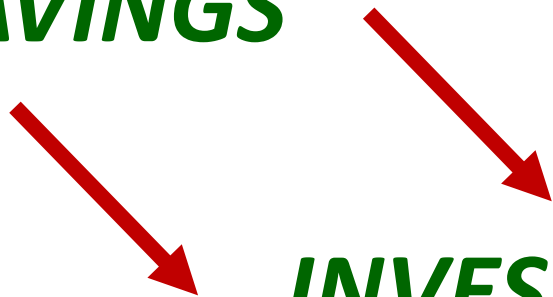
Investing – Some Perspective

- I am biased because I am a finance professor. I study investing and I teach investing. My perspective on risk may be meaningless to you.
- Do not take my advice on what level of risk you should take. Be thoughtful, be prudent.
- Avoid doing things that you know are stupid and that you know will cause you stress.
- But don't be afraid of taking risks just because they scare you. You have already taken many, many risks in your life. Taking informed and measured risks will continue to open many doors and opportunities for you – in both your personal and financial lives.

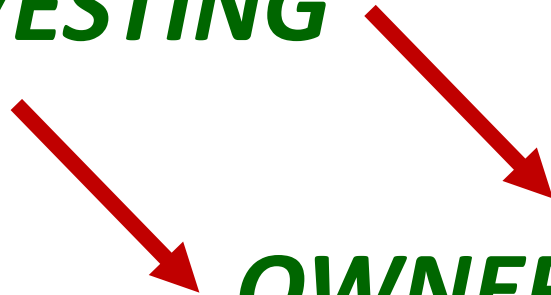


A Few Opening Morals

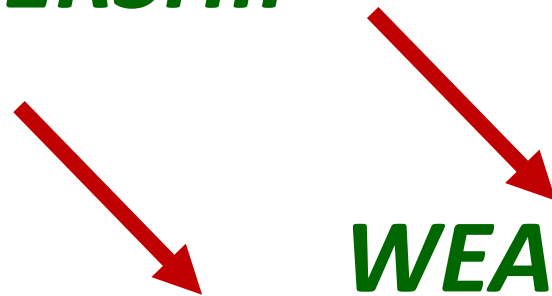
SAVINGS



INVESTING



OWNERSHIP



WEALTH



Common Questions about Investing & Saving

How can I save when my income is so low as a student?

My problem isn't budgeting but it's having too little income.

- Your short-term priorities while in grad school need to be your education, your family and your mental health.
- Maybe saving cannot be a priority for you while you're in school.
- The goal is to develop habits and a mindset that will prepare you to maximize the benefits of saving when your income allows you to do so. Be patient. The benefits of good habits will grow exponentially.



Common Questions about Investing & Saving

How can I save when my income is so low as a student?

My problem isn't budgeting but it's having too little income.

- And think of ways to generate more money: gigs, internships, tutor, lab assistant, freelance positions, blogger, podcasts, consulting
 - Create new jobs for yourself: maybe sell your skills in social media marketing to a company you want to work for, regardless of your program
- A lot of the advice we think of in budgeting is about “reducing expenses.” And that’s because we generally have more control over our expenses than we do over our income, at least in the short-term. Do what you can.
 - And, decreasing expenses can feel like an increase income. Same same.



Common Questions about Investing & Saving

How much of my income should I be saving each month?

- Only you can answer this. Nobody can answer it for you.
- It depends on:
 - What your goals are, both short- and medium-term.
 - What your immediate expenses are.
- I frequently advise students to save \$25 of every paycheck as soon as they receive each paycheck. Save or set aside as much as you can.
 - When I was getting my Master degree, I had no income. I was living off a little savings and a lot of debt. But I intentionally saved \$10 to \$25 on the first day of each month...simply to develop the habit.
 - In school, the habit is more important than the amount.



Common Questions about Investing & Saving

How much of my income should I be saving each month?

My challenge to you:

Take \$10 of every paycheck and move it into a savings account.
If you can save more, do it.

But at a minimum, save \$10 of every paycheck to develop the habit.

My advanced challenge to you:

Take half of what you save each month and invest it in the stock market.



Common Questions about Investing & Saving

How do I save for a big purchase – house, car, etc...?

- Start by asking yourself a few questions:
 - How much do I need to save?
 - When am I going to make this purchase?
 - Is this essential or discretionary? (A refrigerator or car vs. a vacation)
- These questions will help identify timing and priority.
 - Knowing timing & priority will help determine how you save.
 - Do you use a bank savings account or do you have time to invest in the stock market?



Common Questions about Investing & Saving

How do I save for a big purchase – house, car, etc...?

- I would explicitly allocate some of my monthly savings to this purchase.
 - I have already penciled in my holiday gift purchases – even though I won't make them for 2 months.
- We will talk about my 5 buckets for saving-investing in a few slides.
- If it's a really big purchase (e.g. house), you could even set up a dedicated saving or investing account just for that purchase.

MONTHLY BUDGET	EXAMPLE	THIS MONTH
INCOME		
Job #1 -	\$ 1,200.00	
Job #2 -	250.00	
Job #2 -	100.00	
Other -	50.00	
Other -	-	
Other -	-	
TOTAL INCOME	\$ 1,600.00	
EXPENSES		
Savings - General	\$ 50.00	
Savings - New Car, in 2023	125.00	
Savings - New House, in 2026	250.00	
Rent or Housing	400.00	
School - Tuition & Fees	150.00	
School Supplies	50.00	
Phone Bill	100.00	
Insurance - Car	100.00	
Insurance - Home	25.00	
Insurance - Health	-	
Food - Grocery	200.00	
Food - Restaurants	50.00	



Common Questions about Investing & Saving

How do I save for a big purchase – house, car, etc...?

- I would explicitly allocate some of my monthly savings to this purchase

These budgeting templates are in the handbook on pages 24-25.

You can download them from the MCOBA website, search for “Personal Financial Planning.”

Or you can email me and I will send them to you.

- You could even set up a dedicated saving or investing account just for that purchase.

MONTHLY BUDGET	EXAMPLE	THIS MONTH
INCOME		
Job #1 -	\$ 1,200.00	
Job #2 -	250.00	
Job #2 -	100.00	
Other -	50.00	
Other -	-	
Other -	-	
TOTAL INCOME	\$ 1,600.00	
EXPENSES		
Savings - General	\$ 50.00	
Savings - New Car, in 2023	125.00	
Savings - New House, in 2026	250.00	
Rent or Housing	400.00	
School - Tuition & Fees	150.00	
School Supplies	50.00	
Phone Bill	100.00	
Insurance - Car	100.00	
Insurance - Home	25.00	
Insurance - Health	-	
Food - Grocery	200.00	
Food - Restaurants	50.00	



Common Questions about Investing & Saving

How much of my income should I be investing each month?

- Again, only you can answer this. Nobody can answer this for you.
- Your goals, values and resources are unique to you...and only you.
- You may read reports about how much you should have saved by a certain age or whatever.
 - It's okay to read those, but be sure to put them into your own perspective.
 - Those articles do not know what your goals are, do not know that you are in graduate school and do not know what your future plans are.
 - It is important to have a plan – but it is critical that that plan is unique to you and your situation.



Common Questions about Investing & Saving

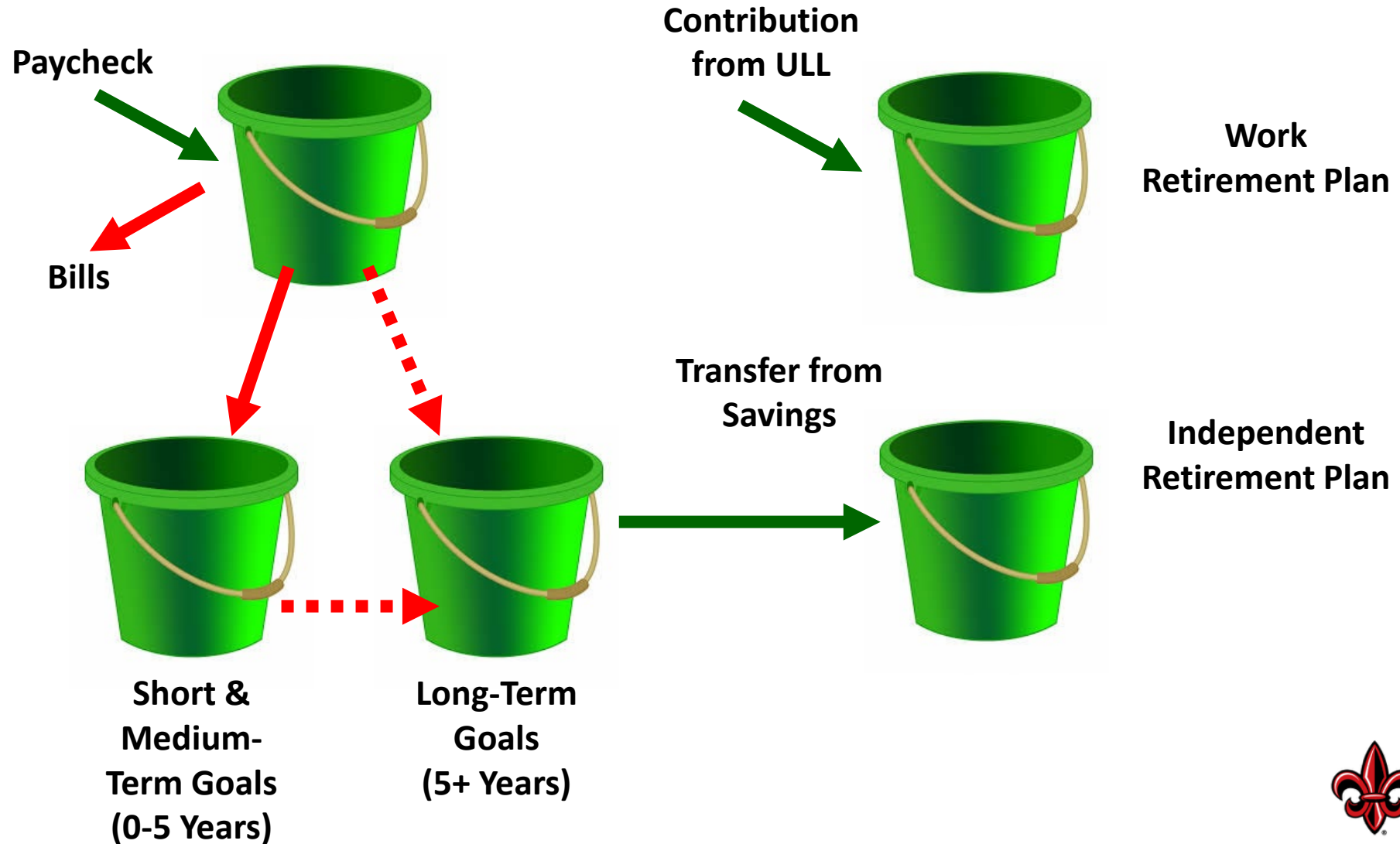
What is a useful way to use different accounts to achieve different goals?

Me? I have 4-5 bank and investing accounts.

1. A basic checking & transactions account. My paycheck is deposited here. And all bills are paid out of this account.
2. A savings account. This is dedicated to short-to-medium term goals, such as paying down debt or paying for a vacation.
3. An investment account. This is dedicated to long term goals, such as buying a house, children's education or even retirement.
4. And 2 retirement accounts: 1 through work and 1 that I manage outside of my work retirement account.



Common Questions about Investing & Saving



Common Questions about Investing & Saving

What is a useful way to use different accounts to achieve different goals?

I have 4-5 bank and investing accounts.

Why does this work?

Research has found that humans engage in “mental budgeting.”

Imagine that you have \$10,000.

You might manage (or spend) this \$10,000 differently if you have it one account for “My Money” versus having \$2,000 in a checking account + \$8,000 in different savings & investment accounts.



Common Questions about Investing & Saving

Why does this work?

- Because it allows me to align different goals with different accounts.

Checking &
Transaction Account



No risk,
0.0% return,
all cash

Short-to-Medium
Term Goals



Some risk,
0-3% return goals,
cash + savings

Long-Term
Goals



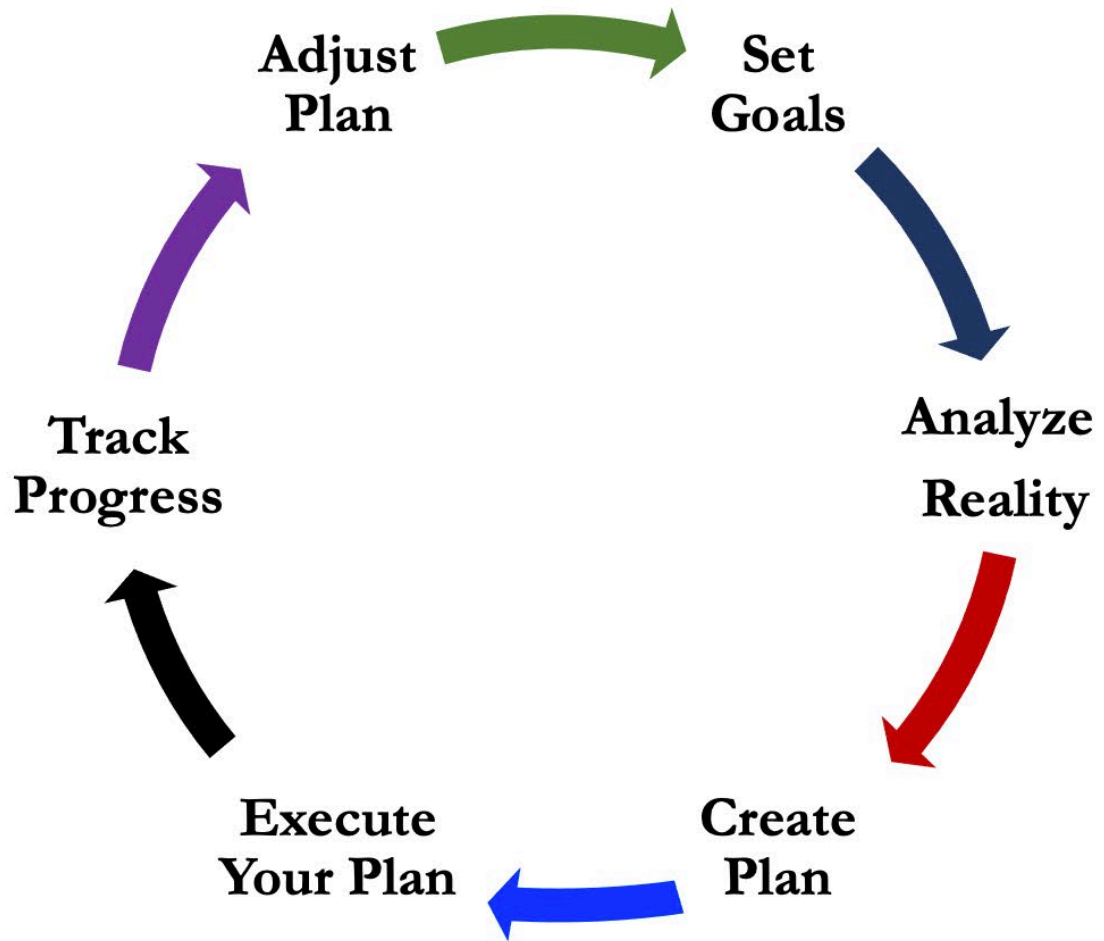
Some Risk,
3-7% return goals,
savings +
investments

Retirement
Accounts



Lots of risk,
8-12% return goals,
all investments





1. **Set your goals.** What do you want to achieve in life? What financial goals will make this happen?
2. **Analyze your reality.** What is your situation? What is your income? What are your expenses? When can you achieve your goals?
3. **Create your plan.** Focus on the short-term – the next 3-6 months – and the long-term – the next 1, 2, 5 and 10 years.
4. **Execute your plan.** Work to decrease your expenses, and to pay off debt. Work to increase your income and your savings.
5. **Track your progress.** How are you doing? Are you ahead of your goals? Are you behind your goals?
6. **Adjust your plan** to reflect your progress, your new reality and any new goals.
7. **Repeat. Revise. Enjoy.**

Isn't this a lot like what you do with your education planning?



Some Parting Words

- Nothing in finance is free. Do not think some institution is giving you a super deal just because they like you. There will be costs.
- Investment companies work really hard to get your money. They hire psychologists to figure out how to get you addicted to your products. Your money pays for their commercials, buildings, fancy cars and vacation homes.
- I check my bank, savings & investment accounts daily. I do not make changes daily (or even monthly). I just don't want any surprises.



Some Parting Words

- If you ever invest based on personal relationships, be prepared for losses.
- Nobody – NOBODY – can predict the future. And investing is all about predicting the future. Be careful about thinking you can predict the future. Make sure your investments align with your goals.
- Be your own boss. Take control of your money and your investments. Nobody else is going to do it for you. Own your financial future.



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Business Administration**