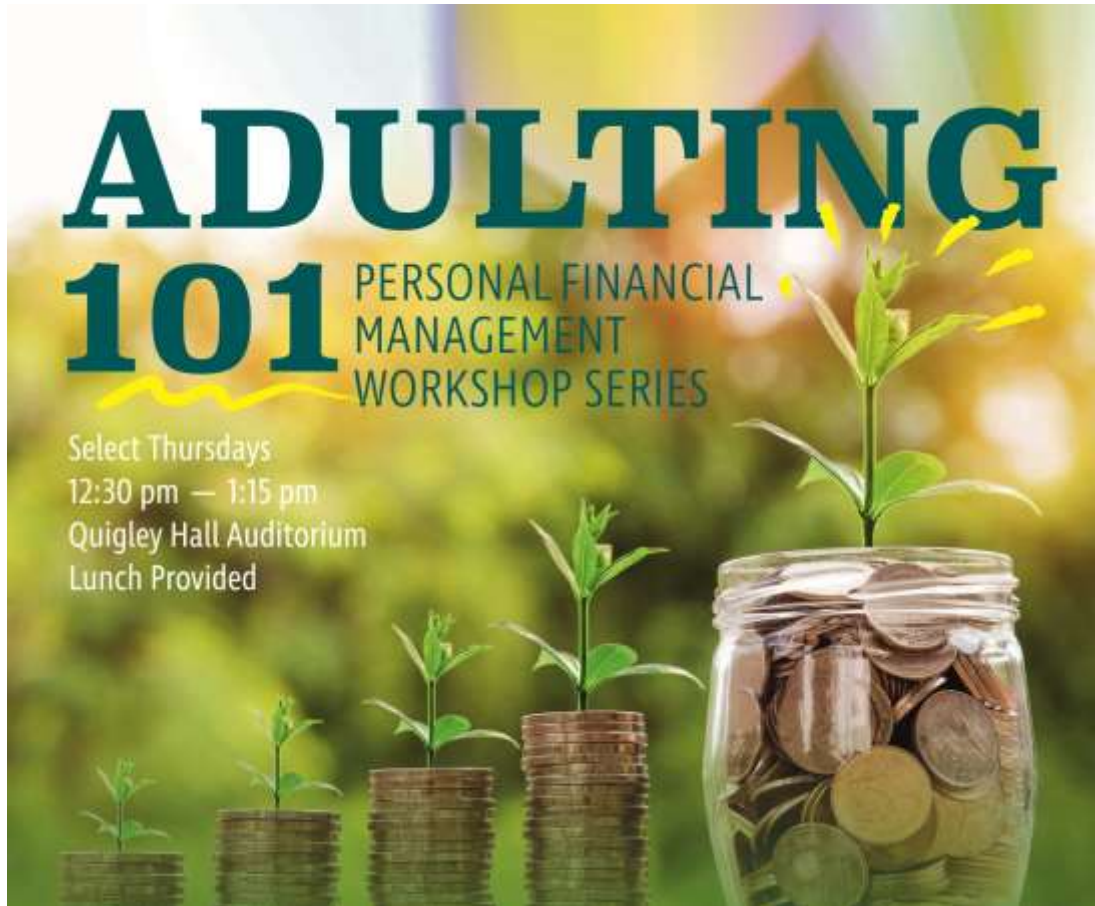


ADULTING 101

PERSONAL FINANCIAL
MANAGEMENT
WORKSHOP SERIES

Select Thursdays
12:30 pm — 1:15 pm
Quigley Hall Auditorium
Lunch Provided



WORKSHOP # 1

Sponsored By

ALLEGHENY COLLEGE

BRUCE R. THOMPSON
CENTER FOR BUSINESS & ECONOMICS

ALLEGHENY COLLEGE

MAYTUM CENTER FOR
STUDENT SUCCESS

ADULTING

101

PERSONAL FINANCIAL
MANAGEMENT
WORKSHOP SERIES



📅 September 21 — Workshop #1

Managing Your Finances Is Very Manageable

- The importance of starting early
- Key financial terms
- Personal budgets and investing plans

📅 October 12 — Workshop #2

Your Income

- Expected salary
- Withholding taxes
- 401Ks
- Choosing a bank
- Your credit rating
- Balancing your checkbook

📅 October 26 — Workshop #3

Managing Your Living Expenses

- How much will my apartment cost?
- How to budget for food and other expenses
- What insurances do you need?
- Buying a car

📅 November 9 — Workshop #4

Getting Started Investing

- What are stocks and bonds?
- What is a mutual fund?
- What is an asset allocation?
- How to open an investing account

📅 December 7 — Workshop #5

Bringing It All Together: Your Personal Financial Plan

- How to monitor finances and investments
- Building for your future





📅 September 21 — Workshop #1

Managing Your Finances Is Very Manageable

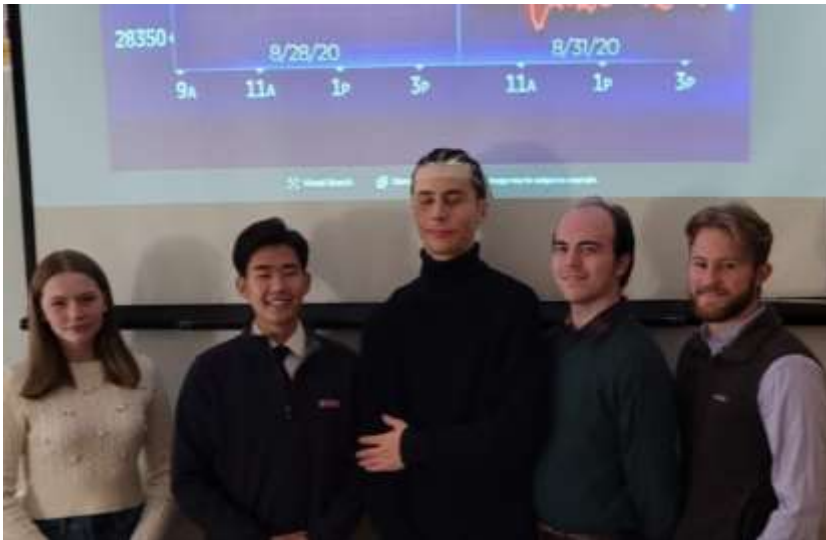
- The importance of starting early
- Key financial terms
- Personal budgets and investing plans

ZINGALE FINANCIAL LITERACY CHALLENGE

 **\$5,000** 
IN PRIZES AND TROPHIES
AWARDED TO STUDENT WINNERS

Last Year's Winners

- **2022**
 - 1st Place – Graham Kralic
 - 2nd Place – Reece Smith
 - 3rd Place – Tie – Paige Downey & Kevin Lee
 - Honorable Mention – Mykyta Kovbasa



FINANCIAL
LITERACY COMPETITION

ZINGALE FINANCIAL LITERACY CHALLENGE

- Written Personal Financial Plan Competition
- No Presentations
- Submit Plans By December 1, 2023
- Judging Takes Place On December 9



Go To The CBE Website

ALLEGHENY COLLEGE

BRUCE R. THOMPSON
CENTER FOR BUSINESS & ECONOMICS



Monthly Expense	Budget	Monthly Expense	Budget
Deductions		Personal & Health	
Savings (to set aside)	\$	Clothing	\$
Child Support, Alimony etc.	\$	Toiletries & Care Products	\$
Other:	\$	Haircuts	\$
Housing		Gym & Sport Club Dues	\$
Rent or Mortgage payment	\$	Health, Life, etc. Insurance	\$
Utilities	\$	Doctor & Dentist Visits	\$
Home Insurance & Taxes	\$	Prescription & OTC Drugs	\$
Other:	\$	Other:	\$
Debt Payment		Education	
Credit Card Payments (min)	\$	Tuition	\$
Other Loans:	\$	Books & Fees	\$
Food		Supplies	\$
Groceries	\$	Other:	\$
Eating Out	\$	Entertainment	
Coffee & Bar	\$	Tickets for Shows & Games	\$
Other:	\$	Books & Magazine subscr.	\$
Transportation		DVDs, CDs, Video Games	\$
Car Payment	\$	Other:	\$
Car Insurance + Taxes	\$	Miscellaneous	
Car Maintenance	\$	Charity, Gifts & Offerings	\$
Gas	\$	Pet Supplies & Vet	\$
Public Transit, Parking, Tolls	\$	Entertaining Guests	\$
Other:	\$	Cash not Accounted for	\$
Family		Other:	\$
Day Care & Babysitting	\$		
Activities & Lessons	\$		
Allowances & Child Support	\$		
Other:	\$		

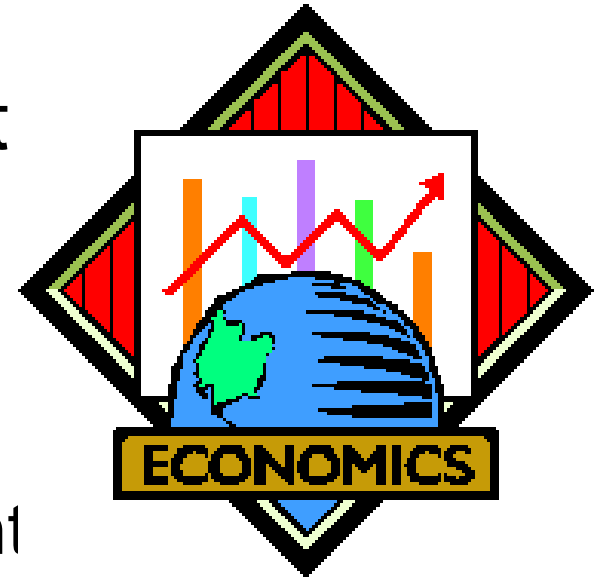
Requirements

- Each entrant will prepare a 4-5 page written plan.
- Each plan must use the attached monthly budget template.
- Plan for a 1 year, 3 year and 5 year time horizon.



Requirements

- Financial goals should be clearly outlined.
- The plan should include a brief discussion of the impact of the current state of the economy
 - GDP growth; rate of inflation; unemployment rate; and recent performance of the Dow Jones Industrial Average; S&P 500; NASDAQ; and bond market.



Requirements

- An investment strategy including stocks, bonds and mutual funds
- The plan must include an asset allocation, which is the mix of stocks & bonds and why.
- A monthly personal monthly budget must be including using template.
- Your final page should be any sources cited or a bibliography.



SCORING CRITERIA

Overall Creativity (20 Possible Points)

Consideration of Investment Plan (15 Points)

Discussion of Economic and Investment Risks (15 Points)

Clear Statement of Goals (10 Points)

Realistic Projection of Income (10 Possible Points)

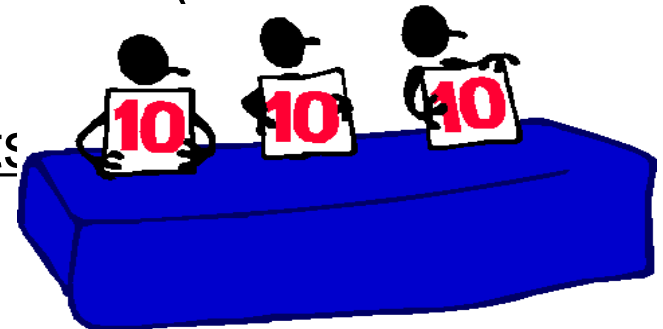
Realistic Projection of Your Debt/Expenses (10 Possible Points)

Realistic Projection of Your Taxes (10 Possible Points)

Realistic Projection of Investment Returns (5 Possible Points)

Citation of Sources (5 Possible Points)

Total (100 Possible Points)



Why Are We Doing This?



FINANCIAL ISSUES

Student Loans
Tuition
Rent
Utilities
Food

POOR CHOICES

Drug Use
Alcohol Abuse
Credit Card Spending
Excess Loans

MENTAL HEALTH ISSUES

Depression
Anxiety
Suicidal Thoughts
Fatigue
Sleeplessness

THE NEGATIVE EFFECTS OF **FINANCIAL STRESS**



11.3

lost days of
productivity per year.¹



SLEEP DEPRIVATION

Stress hormones push people
towards overeating.²



OVEREATING

Increased risk
of substance
abuse.³



SUBSTANCE ABUSE

THE NEGATIVE EFFECTS OF **FINANCIAL STRESS**



60-80%

of workplace accidents are attributed to stress⁶



Stressful emotions⁶ and sleep problems⁶ increase likelihood of car accidents.

ACCIDENTS



Ex-smokers more likely to relapse.⁷

Current smokers are less likely to quit.⁷

SMOKING



THE NEGATIVE EFFECTS OF FINANCIAL STRESS



Of those with high levels
of stress from debt...

44%

suffer from
migraines.⁸

33%

suffer from
hypertension.⁹

27%

have ulcers or
digestive issues.⁸



2x

are more likely to
have heart attacks.⁸

HEALTH PROBLEMS

23-
29%

of those with high levels of
stress from debt suffer from
anxiety or depression.⁸



Depression reduces productivity,
increases absenteeism.⁹

ANXIETY/DEPRESSION

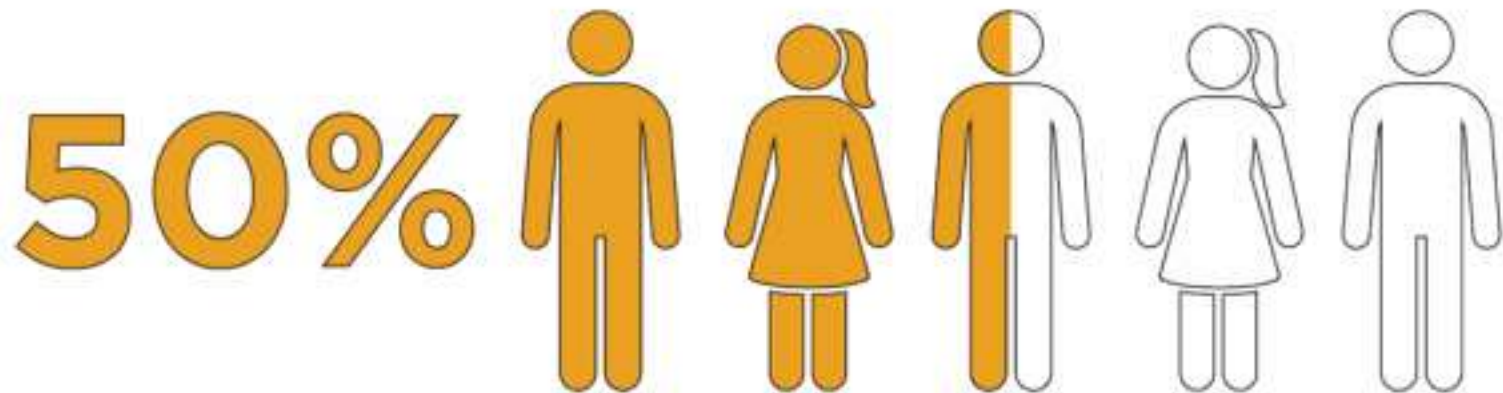
77%

of a person's net worth is
wiped out by divorce.¹⁰



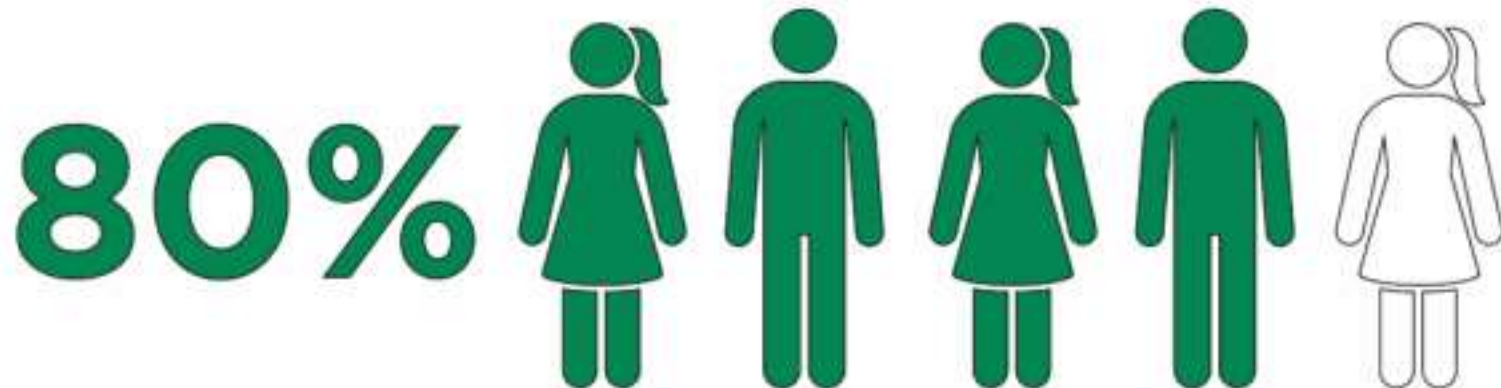
Frequent arguments about
money is the top predictor
of divorce.¹¹

RELATIONSHIP ISSUES



Nearly 50% of U.S. employees suffer from financial stress.

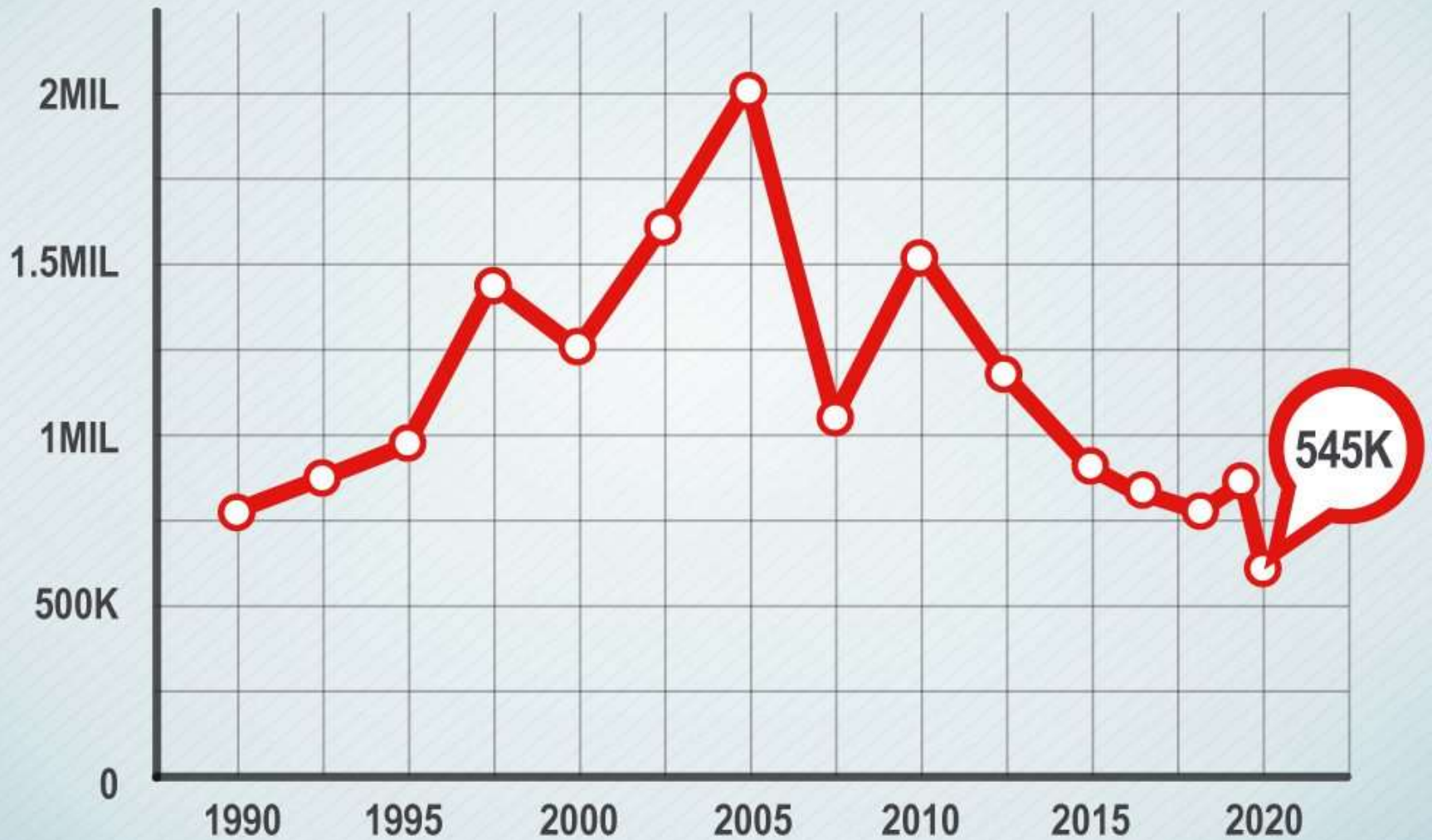
Every year, personal finance is ranked as a leading cause of employee stress in the country.



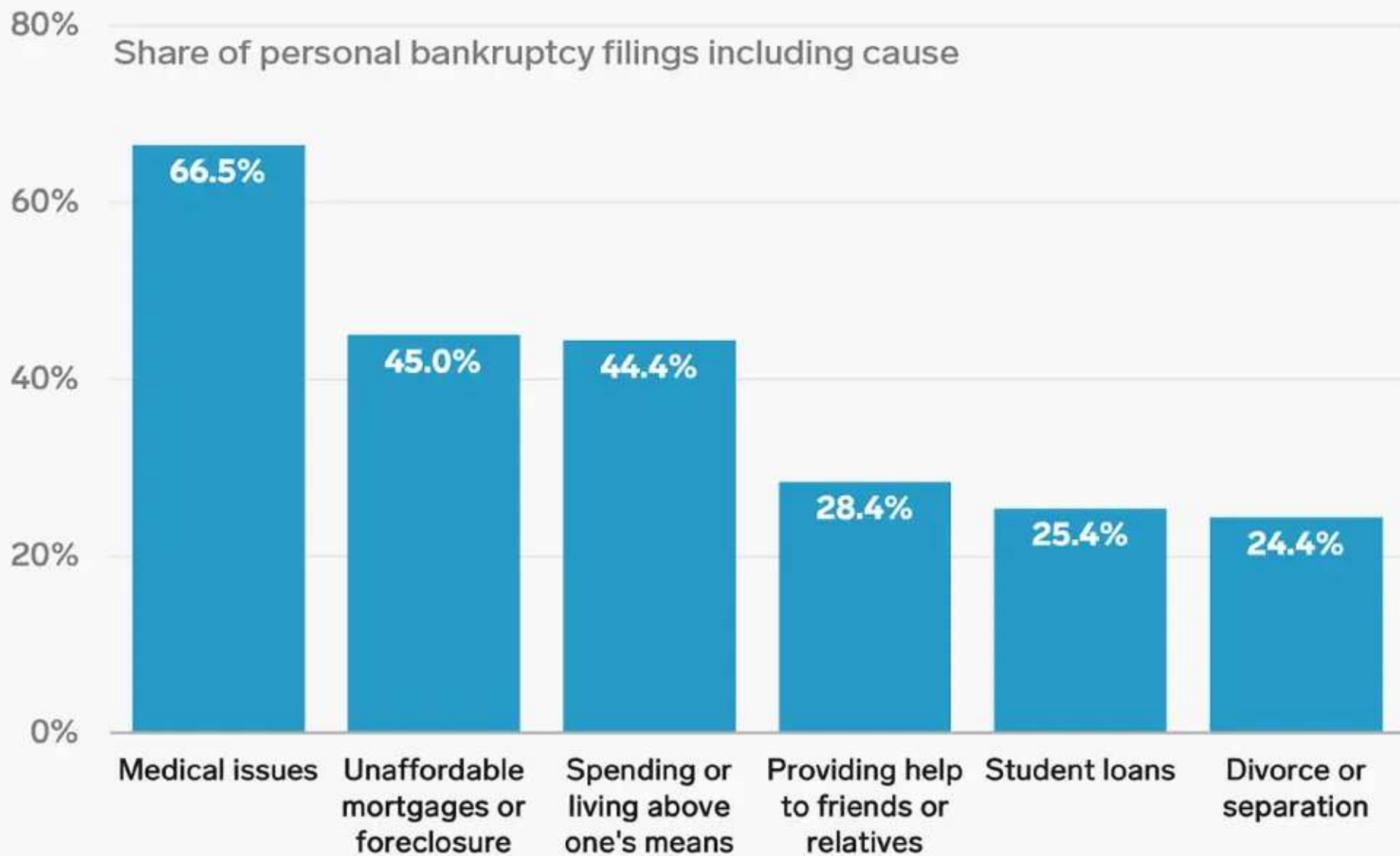
Four out of five employers say their employees' personal financial issues are impacting job performance, according to the IFEBP survey.

Financially stressed employees lose nearly one month of productive workdays per year. They are also 2 times more likely to seek a new job opportunity.

BANKRUPTCY FILINGS IN THE UNITED STATES BY YEAR



Causes of personal bankruptcy





1 Divorce Rates

Sources: PwC, National Research Group & Snap Inc.



divorce rate of third marriages



divorce rate of second marriages



divorce rate of first marriages



2 Top 5 Leading Causes of Divorce

Source: Insider 2020





3

Cost of Divorce

Sources: Wilkinson & Finkbeiner, 2020; Wang 2020, Bieber 2020



\$23,300

if including contest for child support and child custody



\$12,900

average cost of divorce



\$11,300

average divorce attorney's fee



\$7,500

median cost



\$4,100

uncontested divorce



\$270

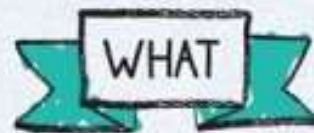
average hourly fee of divorce lawyers

Average Retirement Savings By Age In the U.S.

- Ages 25-29: \$9,408.51
- Ages 35-39: \$48,710.27
- Ages 40-44: \$101,899.22
- Ages 50-54: \$146,068.38
- Ages 60-64: \$221,451.67
- Ages 65-69: \$206,819.35

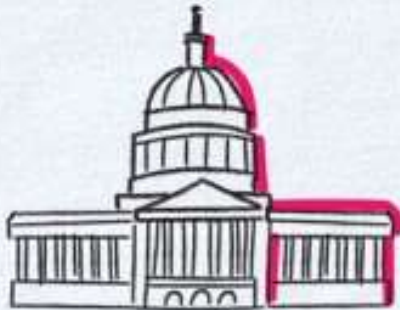


SOCIAL SECURITY



GOVERNMENT PROGRAM THAT PROVIDES BENEFITS TO

GOVERNMENT PROGRAM



BENEFITS

- + RETIREMENT INCOME
- + DISABILITY INCOME
- + INCOME FOR SURVIVORS AND DEPENDENTS



RETIRED

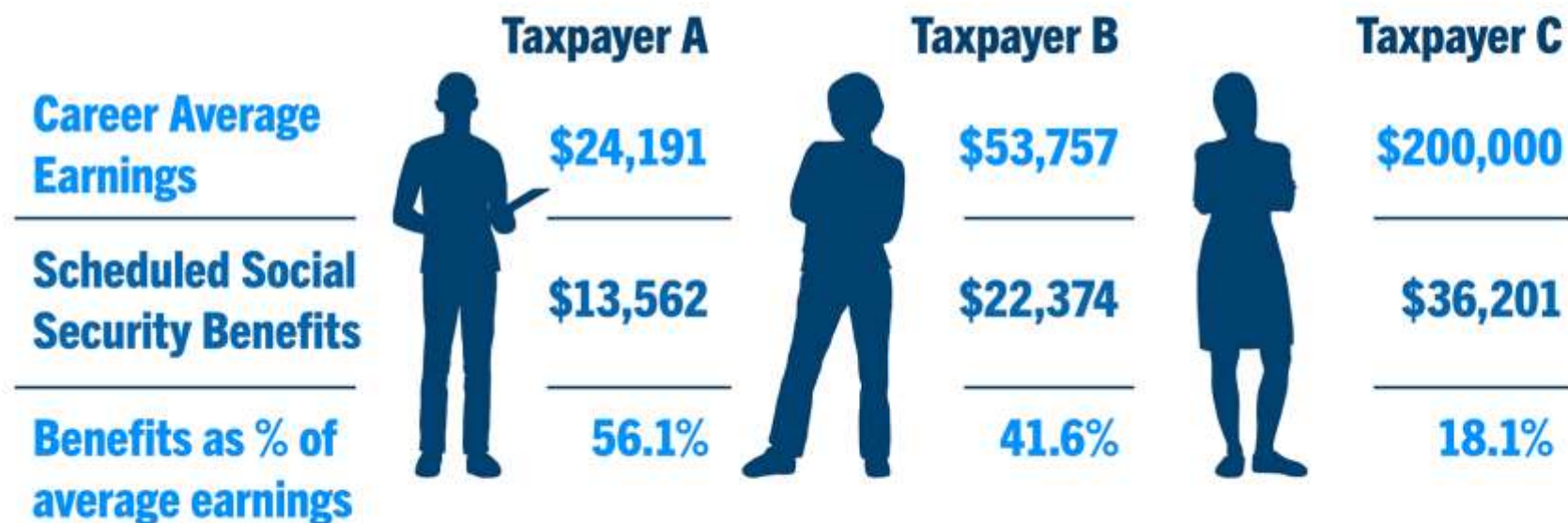


DISABLED



Social Security Benefits are Based in Part on Wages

Increasing or removing the taxable maximum (currently \$142,800) could weaken the link between the amount individuals pay in Social Security taxes and the amount they receive in benefits.



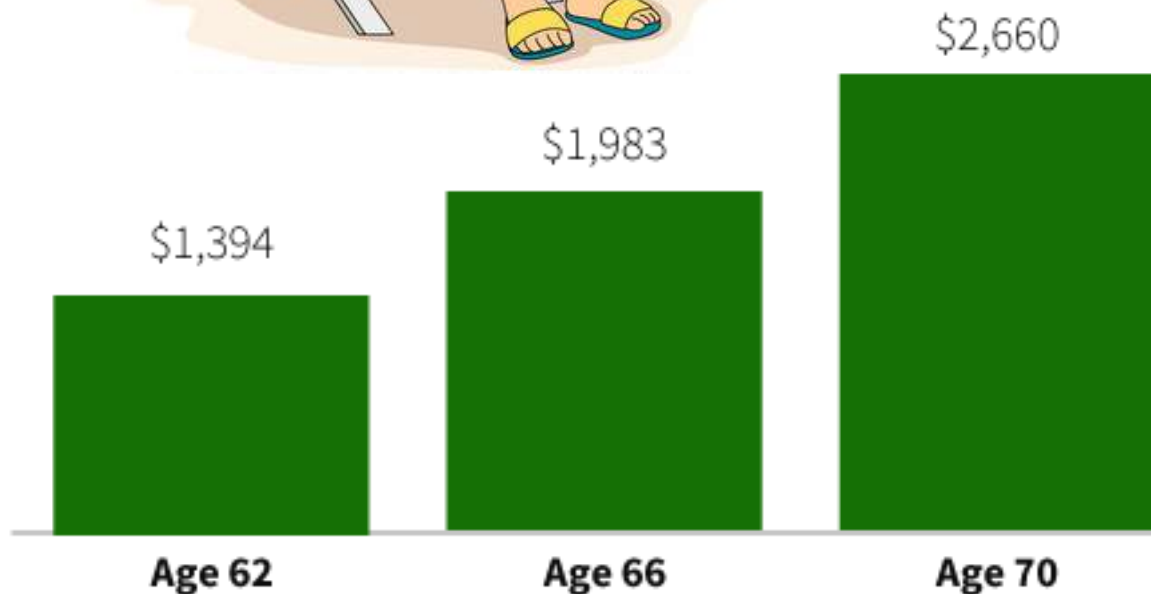
SOURCE: Social Security Administration, Office of the Chief Actuary, *Replacement Rates for the Hypothetical Retired Worker*, April 2020.

NOTES: Benefits are calculated for hypothetical retired workers who in 2020 would be in their first year of benefit receipt at normal retirement age. Estimates are based on intermediate assumptions of the 2020 OASDI Trustees Report.



Monthly benefits increase as you delay Social Security

Source: Social Security Quick Calculator
benefit estimate based on an individual
age 62 with \$75,000 in current earnings.
Does not include increases in benefit
levels due to regular cost of living
adjustments.



Fidelity Looked At Savings Rates



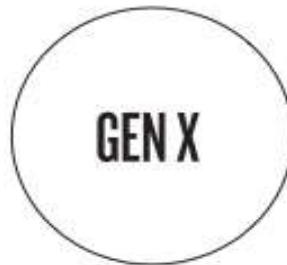
1925-1945

The Great Depression
The Dust Bowl
WWII
McCarthyism



1946-1963

Vietnam
Woodstock
The Civil Rights Movement
President Kennedy's assassination
Watergate
Space exploration



1964-1978

The fall of the Berlin wall
The Challenger disaster
AIDS
MTV
The Iranian hostage crisis
Desert Storm



1979-1995

9/11
Columbine
Google
Social Media
Video games
Y2K



1996-2010

The Great Recession
ISIS
Sandy Hook
Marriage equality
The first black president
The rise of populism

Twentysomethings (age 20-29)

- *Average 401(k) balance: \$11,800*
Median 401(k) balance: \$4,300
Contribution rate (% of income): 7%

GEN Z

1996-2010

The Great
Recession

ISIS

Sandy Hook

Marriage
equality

The first black
president

The rise of
populism



Thirtysomethings (age 30-39)

- *Average 401(k) balance: \$42,400*
Median 401(k) balance: \$16,500
Contribution rate (% of income): 7.8%



1979-1995

9/11

Columbine

Google

Social Media

Video games

Y2K

Fortysomethings (age 40-49)

- *Average 401(k) balance: \$102,700*
Median 401(k) balance: \$36,000
Contribution rate (% of income):
8.5%



GEN X

1964-1978

The fall of the
Berlin wall
The Challenger
disaster
AIDS
MTV
The Iranian
hostage crisis
Desert Storm

Fiftysomethings (age 50-59)

- *Average 401(k) balance: \$174,100*
Median 401(k) balance: \$60,900
Contribution rate (% of income): 10.1%



BOOMERS

1946-1963

Vietnam
Woodstock
The Civil Rights
Movement
President
Kennedy's
assassination
Watergate
Space
exploration

Sixtysomethings (age 60-69)

- *Average 401(k) balance: \$195,500*
Median 401(k) balance: \$62,000
Contribution rate (% of income):
11.2%



BOOMERS

1946-1963

Vietnam
Woodstock
The Civil Rights Movement
President Kennedy's assassination
Watergate
Space exploration

That Is Not Enough!



How Much Should You Save

80% Rule

- Save as much as you would need to have the equivalent 80% of your salary for about 20 years.
- That would require about \$1.2 million for that same person making \$75,000 if you don't factor inflation into the mix.



The 4% Rule

- The 4% rule states that you should withdraw 4% of your portfolio each year in retirement for a comfortable life.
- It was created using historical data on stock and bond returns over a 50-year period.



You Need 10x Your Income Saved By Age 67 To Generally Maintain Your Current Lifestyle In Retirement.

- **Age 30:** 1X annual salary
- **Age 40:** 3X annual salary
- **Age 50:** 6X annual salary
- **Age 60:** 8X annual salary
- **Age 67:** 10X annual salary



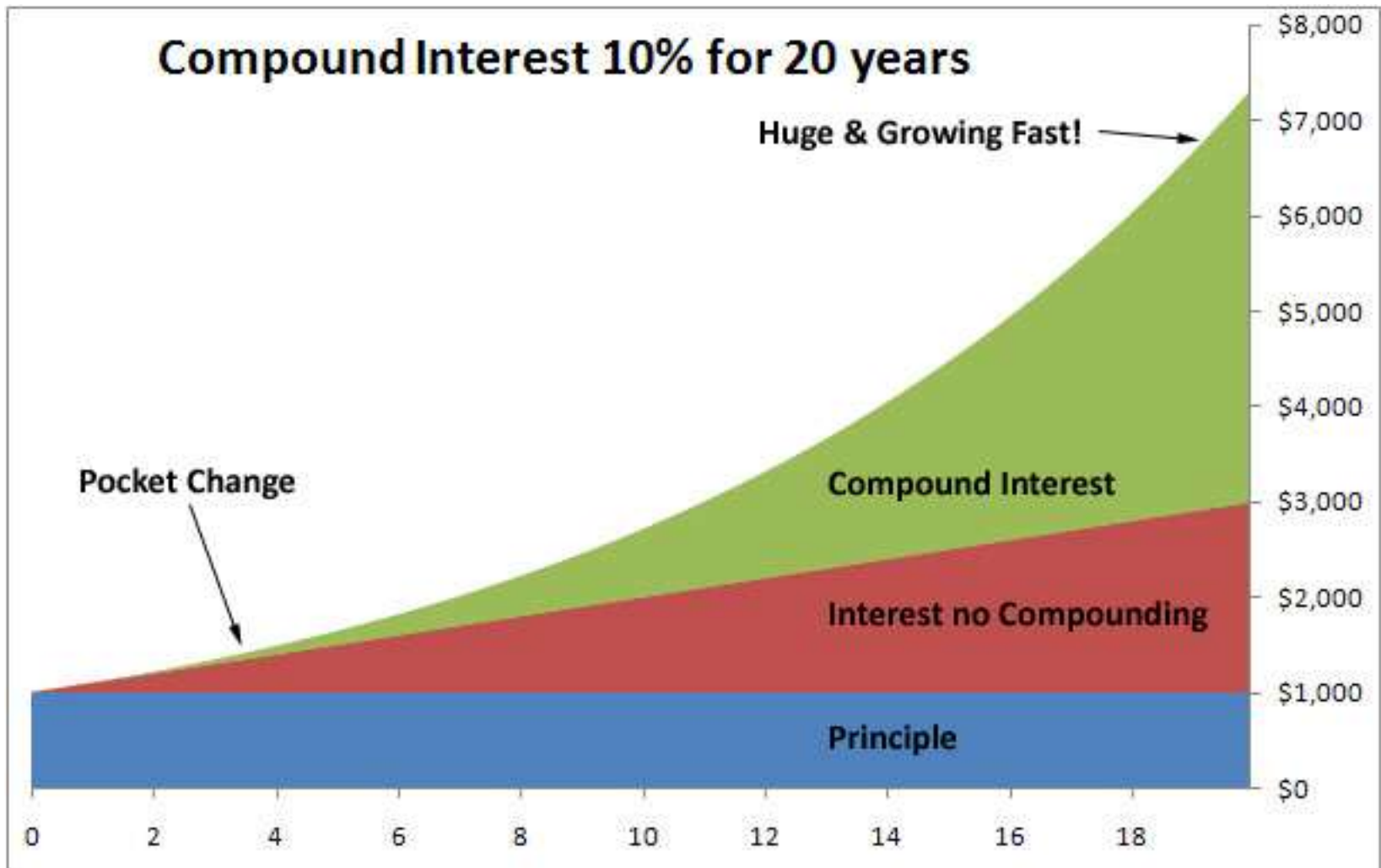
The 25X Spending Rule

- With the 25X spending rule, some experts recommend saving 25 times the amount you expect to withdraw from your investment portfolio each year.
- So if you plan to withdraw **\$60,000 annually**, that means your portfolio should total **\$1,500,000 in retirement**.

How Will We Get There?!?!?



The 8th Wonder of The World!



How Much Money Would You
Have If You Double A Penny
Every Day For A Month?



Day 1	\$0.01
Day 2	\$0.02
Day 3	\$0.04
Day 4	\$0.08
Day 5	\$0.16
Day 6	\$0.32
Day 7	\$0.64
Day 8	\$1.28
Day 9	\$2.56
Day 10	\$5.12
Day 11	\$10.24
Day 12	\$20.48
Day 13	\$40.96
Day 14	\$81.92
Day 15	\$163.84

Day 16	\$327.68
Day 17	\$655.36
Day 18	\$1,310.72
Day 19	\$2,621.44
Day 20	\$5,242.88
Day 21	\$10,485.76
Day 22	\$20,971.52
Day 23	\$41,943.04
Day 24	\$83,886.08
Day 25	\$167,772.16
Day 26	\$335,544.32
Day 27	\$671,088.64
Day 28	\$1,342,177.28
Day 29	\$2,684,354.56
Day 30	\$5,368,709.12

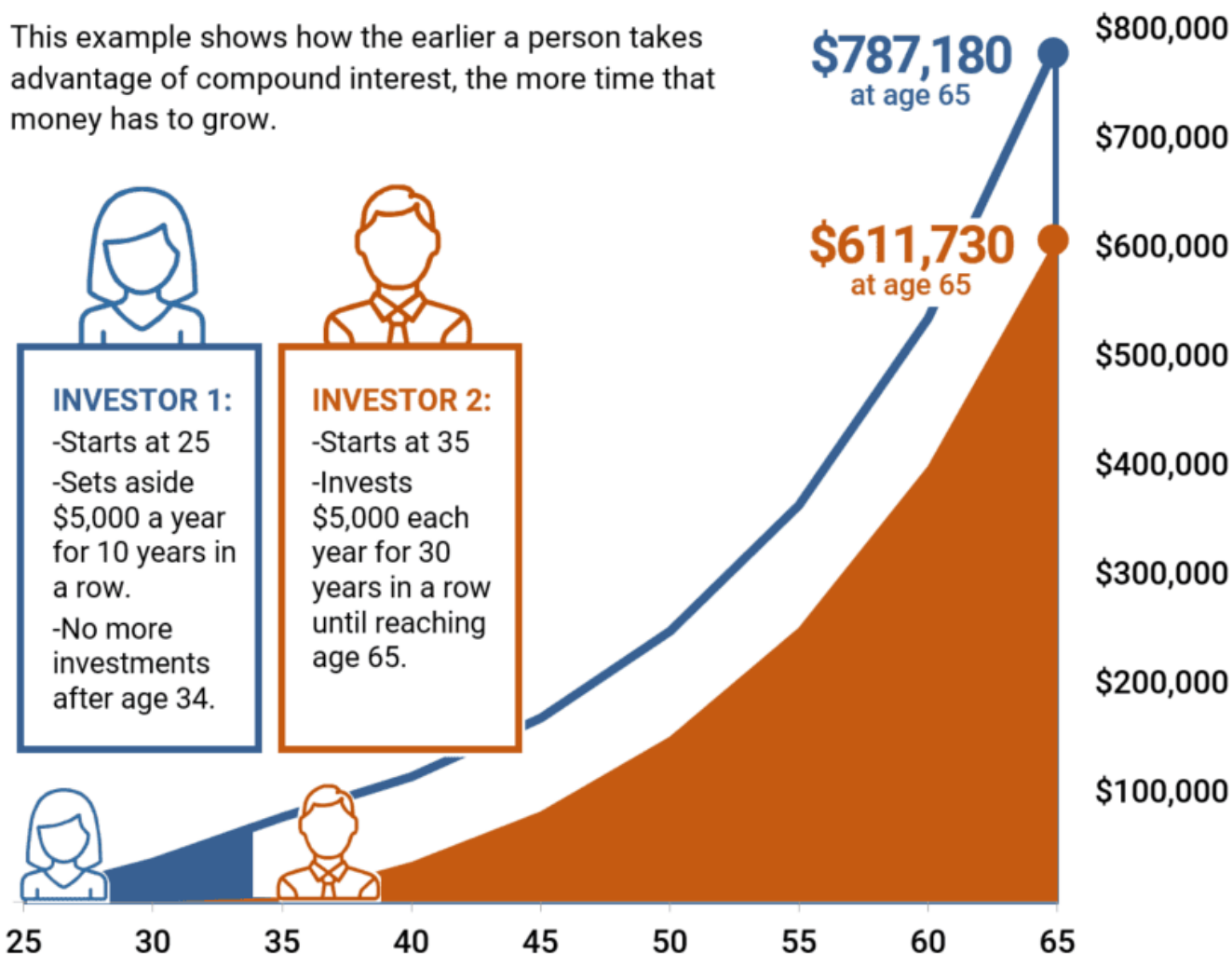




COMPOUND INTEREST:

WHO WILL EARN MORE?

This example shows how the earlier a person takes advantage of compound interest, the more time that money has to grow.



NOTES: Assumes an 8 percent interest rate, compounded annually. Balances shown are approximate.
SOURCE: Author's calculations.

What Facts Will You Need To Start Your Savings Plan?



Facts You Will Need To Start Your Savings Plan

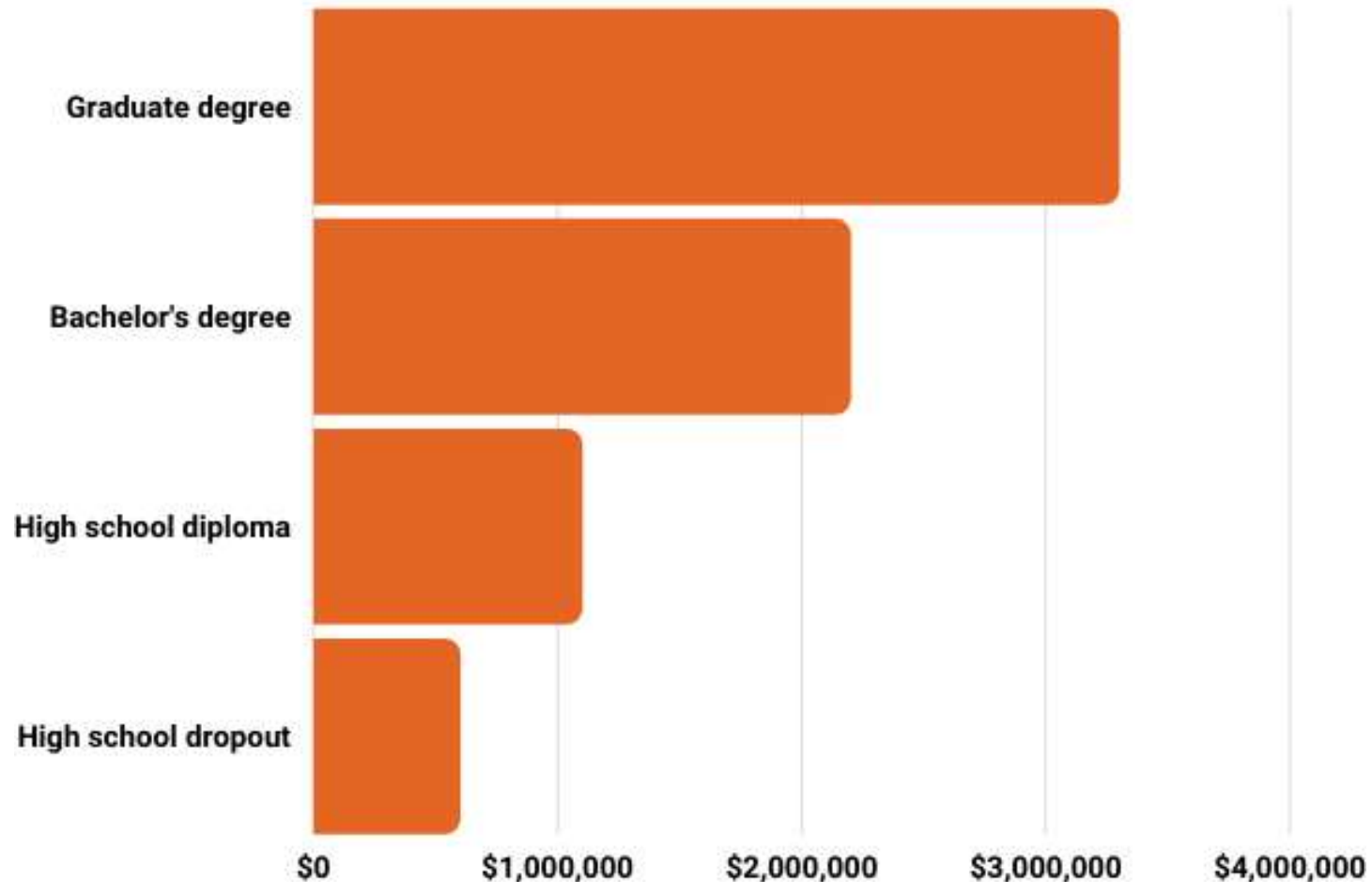
- How much will I make?
- How much will I pay in taxes?
- My expenses → housing and utilities, food, transportation, clothes, entertainment, technology, insurance.
- Inflation and interest.



How Much Will You Make?

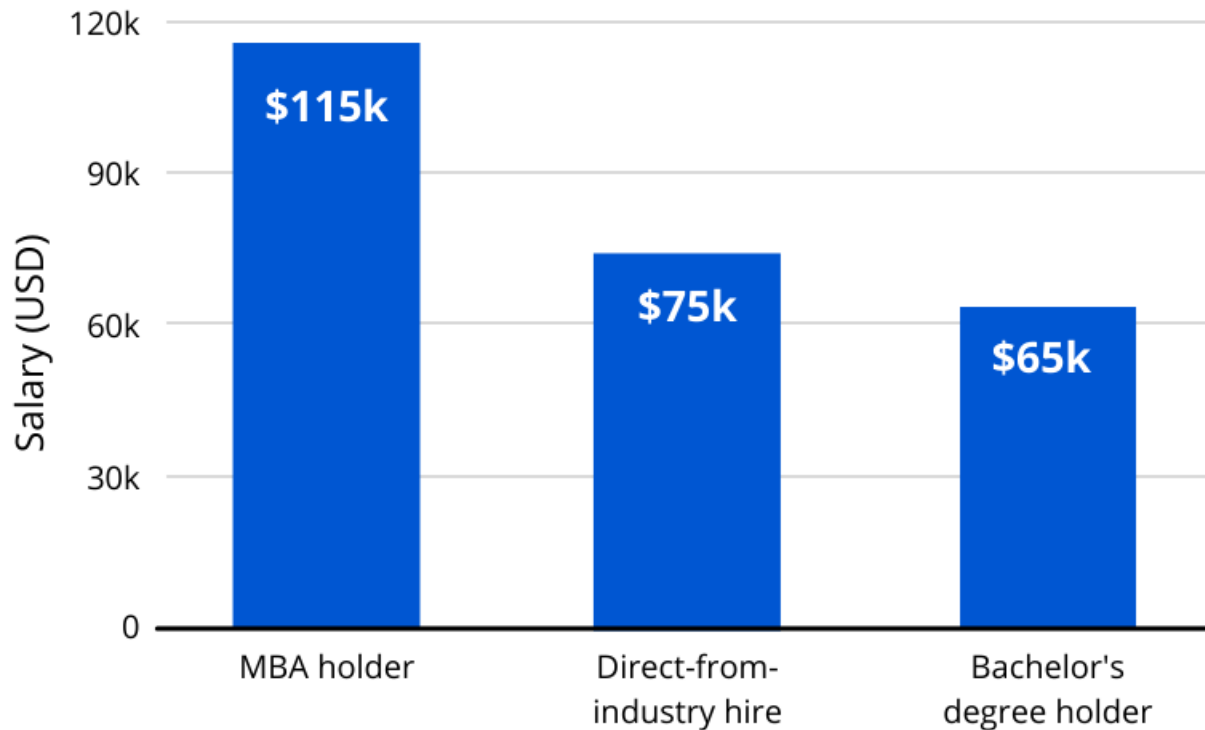


Average lifetime earnings by education level



Source: Edsource.org, *Higher college attainment will raise wages but not narrow income gap*

Median annual starting salary for new hires (2021)



Major	Average starting salary	Percent change
Computer Sciences	\$75.9K	5.2%
Engineering	\$73.9K	4%
Math & Sciences	\$66.8K	5.4%
Social Sciences	\$61.2K	2.1%
Business	\$60.7K	3.1%
Agriculture & Natural Resources	\$57.8K	5.4%
Communications	\$55.5K	-4.7%
Humanities	\$50.7K	-14.8%

The national average salary for college graduates (overall) has remained steady over the last few years at around \$50,000 to \$60,000.

Business, mathematics, health science, engineering, and computer science majors are shown to make a higher average salary at between \$52,000 and \$71,000 per year.

Source: National Association of Colleges and Employers



How Do You Calculate Take-Home Pay?



Federal Tax Brackets

Individual Taxpayers

If Taxable Income Is Between:	The Tax Due Is:
0 - \$9,700	10% of taxable income
\$9,701 - \$39,475	\$970 + 12% of the amount over \$9,700
\$39,476 - \$84,200	\$4,543 + 22% of the amount over \$39,475
\$84,201 - \$160,725	\$14,382.50 + 24% of the amount over \$84,200
\$160,726 - \$204,100	\$32,748.50 + 32% of the amount over \$160,725
\$204,101 - \$510,300	\$46,628.50 + 35% of the amount over \$204,100
\$510,301 +	\$153,798.50 + 37% of the amount over \$510,300

Taxes On \$50,000 Per Pear

Your Income Taxes Breakdown

Tax Type	Marginal Tax Rate	Effective Tax Rate	2018 Taxes*
Federal	12.00%	8.74%	\$4,370
FICA	7.65%	7.65%	\$3,825
State	3.07%	3.07%	\$1,535
Local	1.00%	1.00%	\$500
Total Income Taxes		20.46%	\$10,230
Income After Taxes			\$39,771
Retirement Contributions			\$0
Take-Home Pay			\$39,771

Why Taxes Suck

- \$50,000 Per Year Becomes \$39,771
 - You Are Paying **\$10,230** a year or **\$852** A Month In Taxes



How Will You Construct A Budget?



Keep A Expenditure Notebook



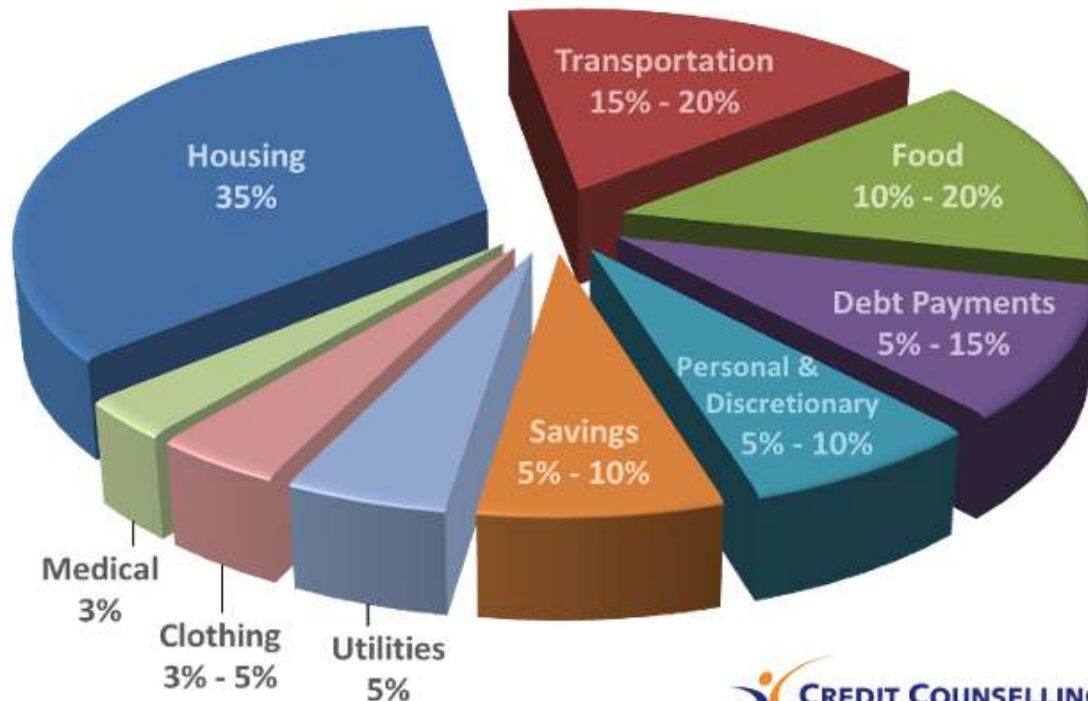
What Will Be Your Monthly Expenses?



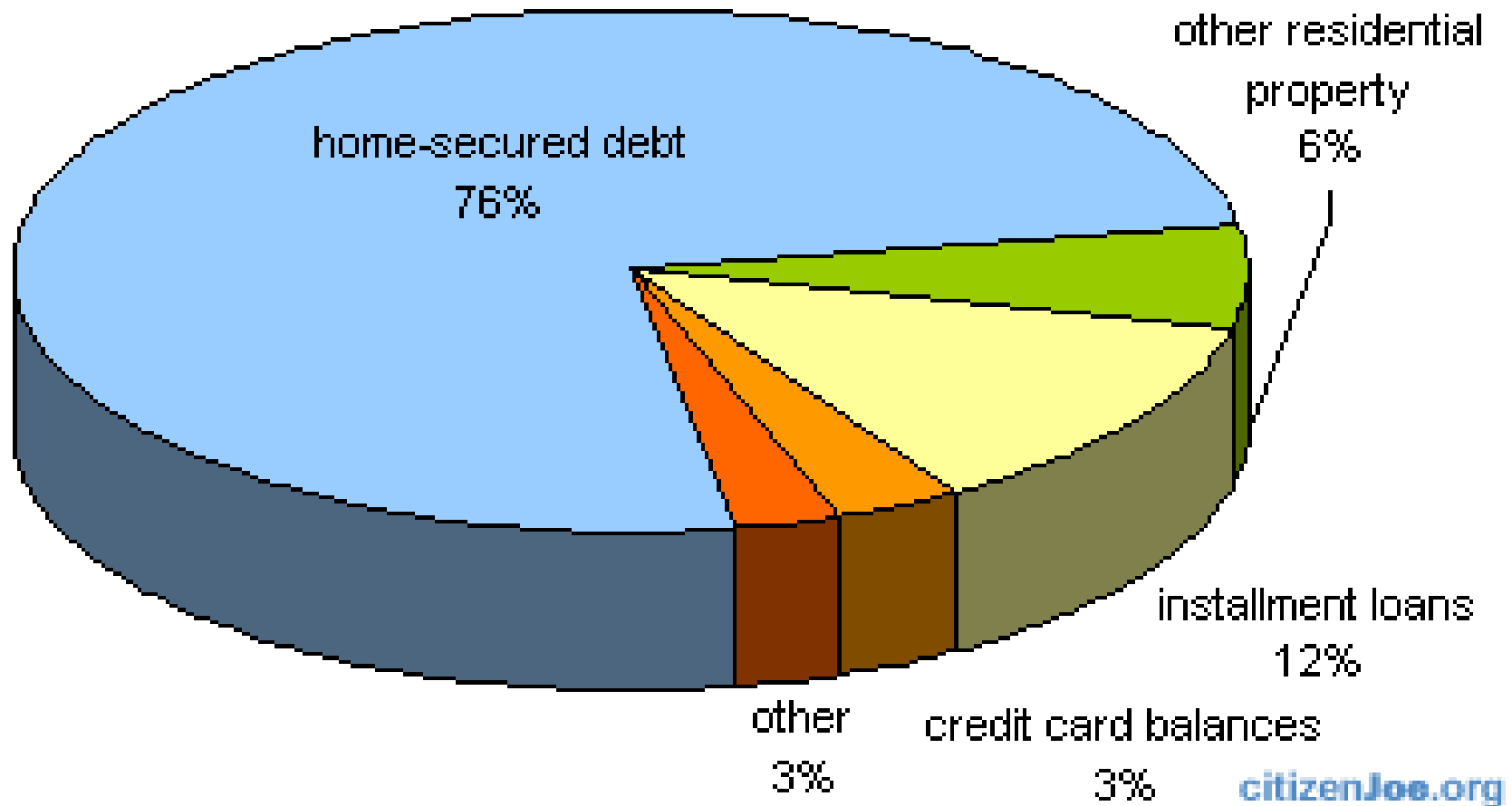
It Will Be Tough Making It Work. How Will You Adjust?

Budgeting Guidelines

for the cost of living by category

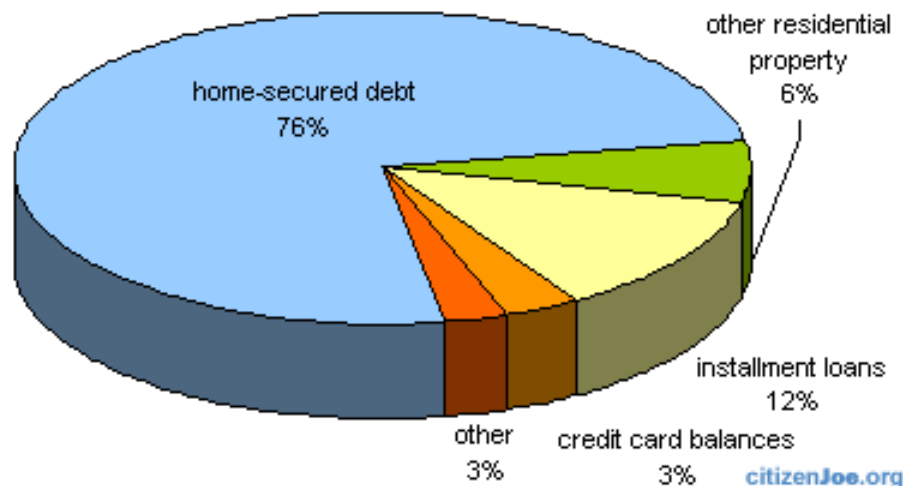


What Should Your Target Debt Be?



What Should Your Target Debt Be?

- Debt should be less than 20% of your monthly take-home pay.
- Making minimum payments might make it artificially LOW.



What Should Your Housing Expense Target Be?

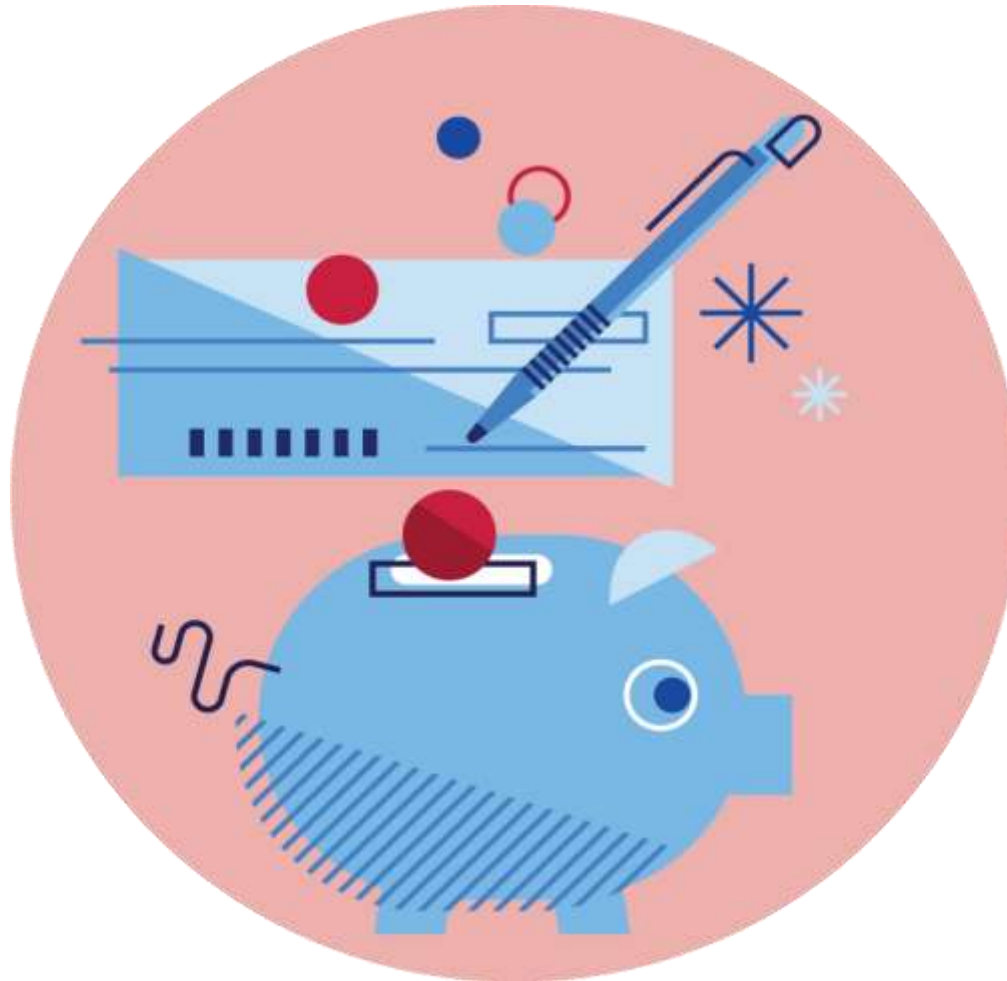


What Should Your Housing Expense Target Be?

- You should spend no more than **30% of monthly take home pay** on rent or mortgage.

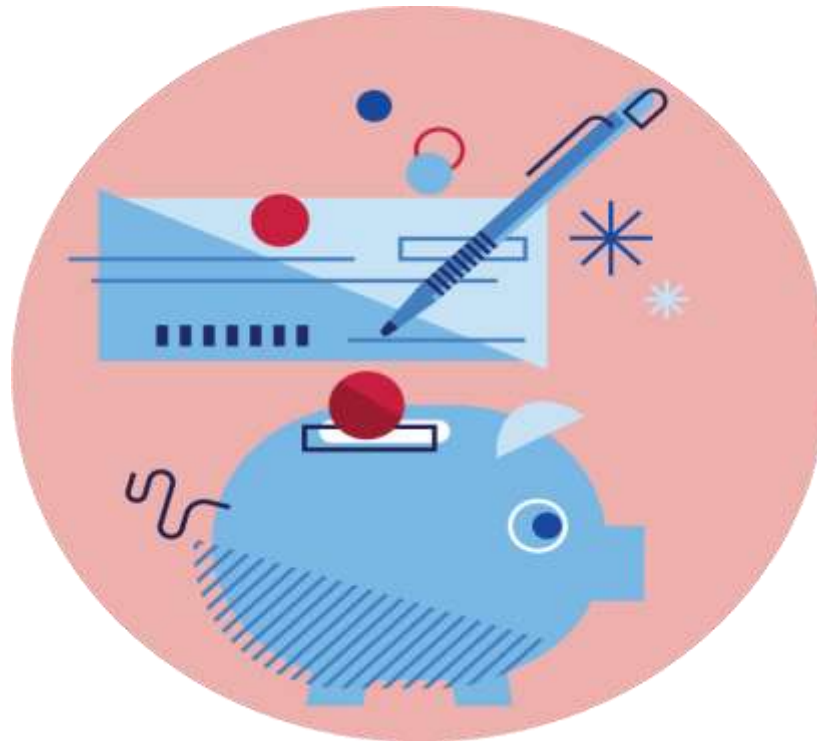


What Should Your Savings Target Be?



What Should Your Savings Target Be?

- You Should Save At Least **10% of Your Take Home Pay Each Month.**



Review Our Targets

- Debt should be no more than 20% of your take home pay.
- Housing should be no more than 30% of your take home.
- Savings should be AT LEAST 10% of your take home pay.





 October 13 — Workshop #2

Your Income

- Expected salary
- Withholding taxes
- 401Ks
- Choosing a bank
- Your credit rating
- Balancing your checkbook