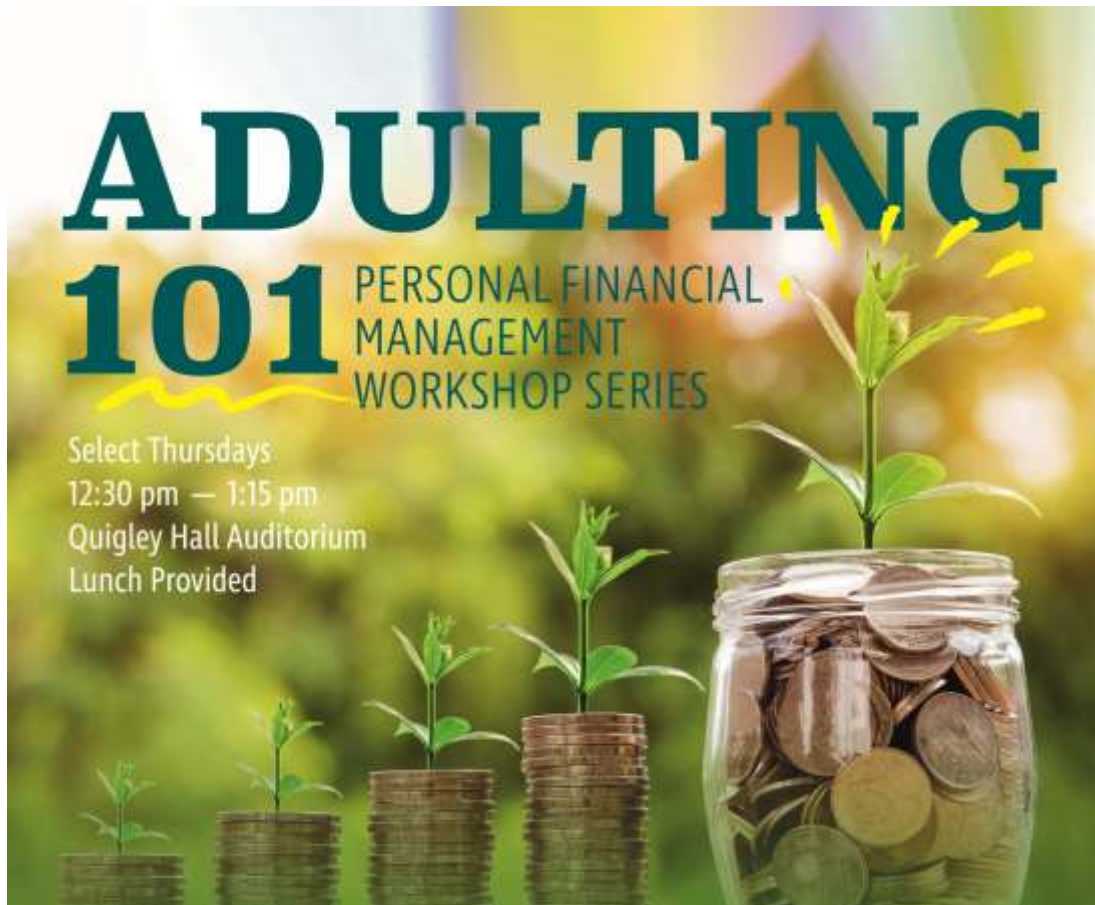


ADULTING 101

PERSONAL FINANCIAL
MANAGEMENT
WORKSHOP SERIES

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



WORKSHOP # 2

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



📅 October 12 — Workshop #2

Your Income

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

How Much Will You Make?





*The average
starting salary for
the class of 2022 is
\$55,260*

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



Best-paying college majors

Top ten by median salary within five years of graduation

Computer Engineering	\$74K
Chemical Engineering	\$70K
Aerospace Engineering	\$70K
Electrical Engineering	\$70K
Computer Science	\$70K
Industrial Engineering	\$69K
Mechanical Engineering	\$68K
Miscellaneous Engineering	\$65K
Civil Engineering	\$63K
General Engineering	\$62K

Note: Includes full-time U.S. workers with a bachelor's degree.

Source: Federal Reserve Bank of New York. As of Feb. 9, 2022.

What Are The Two Tax Forms?



Two Tax Forms

- 1040EZ
- 1040
- W2
 - Payroll Statement




Why Is It Better To File A 1040 Versus A 1040EZ?

Department of the Treasury—Internal Revenue Service

Form **1040EZ** **Income Tax Return for Single and Joint Filers With No Dependents** (99) **2011** OMB No. 1545-0074

Your first name and initial John D	Last name Smith	Your social security number 1 2 3 5 4 7 8 9
If a joint return, spouse's first name and initial Jane Q	Last name Smith	Spouse's social security number 2 3 6 5 8 9 7 4
Home address (number and street). If you have a P.O. box, see instructions. 123 Main st		Apt. no. ▲ Make sure the SSN(s) above are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). New York City		Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input checked="" type="checkbox"/> You <input type="checkbox"/> Spouse
Foreign country name	Foreign province/county	Foreign postal code

Income Attach Form(s) W-2 here. Enclose, but do not attach, any payment.	1	Wages, salaries, and tips. This should be shown in box 1 of your Form(s) W-2. Attach your Form(s) W-2.	1	30000
	2	Taxable interest. If the total is over \$1,500, you cannot use Form 1040EZ.	2	1500
	3	Unemployment compensation and Alaska Permanent Fund dividends (see instructions).	3	I
	4	Add lines 1, 2, and 3. This is your adjusted gross income .	4	
	5	If someone can claim you (or your spouse if a joint return) as a dependent, check the applicable box(es) below and enter the amount from the worksheet on back. <input type="checkbox"/> You <input type="checkbox"/> Spouse If no one can claim you (or your spouse if a joint return), enter \$9,500 if single ; \$19,000 if married filing jointly . See back for explanation.	5	



Deductions

- The **standard deduction** amounts will increase to \$12,200 for individuals, \$18,350 for heads of household, and \$24,400 for married couples filing jointly and surviving spouses.
- For 2019, the additional **standard deduction** amount for the aged or the blind is \$1,300.

Nov

Deductions

- Itemized Deduction
 - Mortgage, state and local taxes, charitable deductions, certain moving expenses, job hunting expenses, business travel, and educational expenses.

How Do You Calculate Take-Home Pay?



Typical Paycheck Stub

Please use last paystub in December

#1
Company Code
(3 Character Max)

#2
File Number

CO.	FILE	DEPT.	CLOCK	NUMBER
ABC	125543	123456	12345	0000000

ACME SUPPLIES CORP.
475 KNAPP AVENUE
ANYTOWN, USA 10101

Social Security Number: 999-99-9999
Taxable Marital Status: Married
Exemptions/Allowances:
Federal: 3, \$25. Additional Tax
State: 2
Local: 2

#4
SSN or ITIN
(Enter Without Dashes)

Earnings Statement

Period ending: 12/19/2003
Pay date: 12/26/2003

JANE HARPER
101 MAIN STREET
TOWN, USA 12345

Earnings	rate	hours	this period	year to date
Regular	10.00	32.00	320.00	16,640.00
Overtime	15.00	1.00	15.00	750.00
Holiday	10.00	8.00	80.00	4,160.00
Tuition			37.43	1,946.80
Gross Pay			\$ 452.43	23,526.80

Deductions	Statutory		
Federal Income Tax	- 40.60	2,111.20	
Social Security Tax	- 28.05	1,458.60	
Medicare Tax	- 6.56	341.12	
NY State Income Tax	- 8.43	438.36	
NYC Income Tax	- 5.94	308.88	
NY SUI/SDI Tax	- 0.60	31.20	
Other			
Bond	- 5.00	100.00	

Other Benefits and Information	this period	total to date
Group Term Life	2.51	27.00
Loan Amt Paid		840.00
Vac Hrs		40.00
Sick Hrs		16.00
Title #3	Operator	

YTD Federal Income Tax
(Do Not Enter Commas)

Important Notes
EFFECTIVE THIS PAY PERIOD YOUR REGULAR HOURLY RATE HAS BEEN CHANGED FROM \$8.00 TO \$10.00 PER HOUR.

WE WILL BE STARTING OUR UNITED WAY FUND

1 Wages, tips, other comp 2456.26	2 Federal income tax withheld 222.71	3 Social security wages 2456.26
4 SS tax withheld 152.29	5 Medicare wages and tips 2456.26	6 Medicare tax withheld 35.62
7 Social security tips	8 Allocated tips	9
10 Dependent care benefits	11 Nonqualified plans	12a See instructions for box 12
13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	14 Other CA SDI 22.11	12b 12c 12d

Form W-2
Wage and Tax Statement

2015

Copy 2

To Be Filed with
Employee's State,
City, or Local
Income Tax Return

What the FICA?

ations	Gross Pay	-12 -28.5 -84.90 -1.20
Statutory		
Federal Income Tax		
Social Security Tax		
Medicare Tax		
NY State Income Tax		
NY SUI/SDI Tax		
Other		
Checking 1		
Medical Pretax		
401K		
Net Pay		-1,215
cluded from		

What is FICA?



FICA is a U.S. federal payroll tax. It stands for the **Federal Insurance Contributions Act** and is deducted from each paycheck.



As you work and pay FICA taxes, you earn credits for Social Security benefits.



Securing today
and tomorrow

WHAT ARE FICA TAXES?

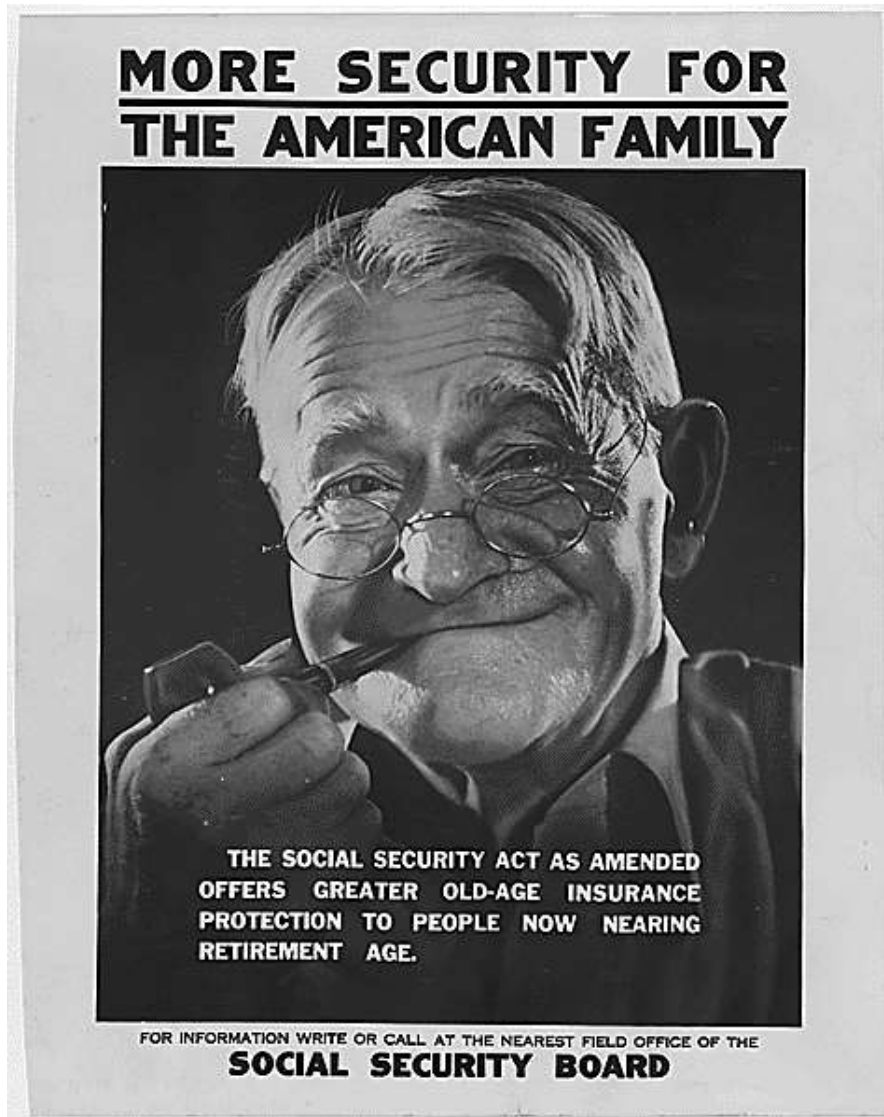
FICA tax is a combination of Social Security and Medicare taxes. Employer and employee pays 7.65% each



Social Security

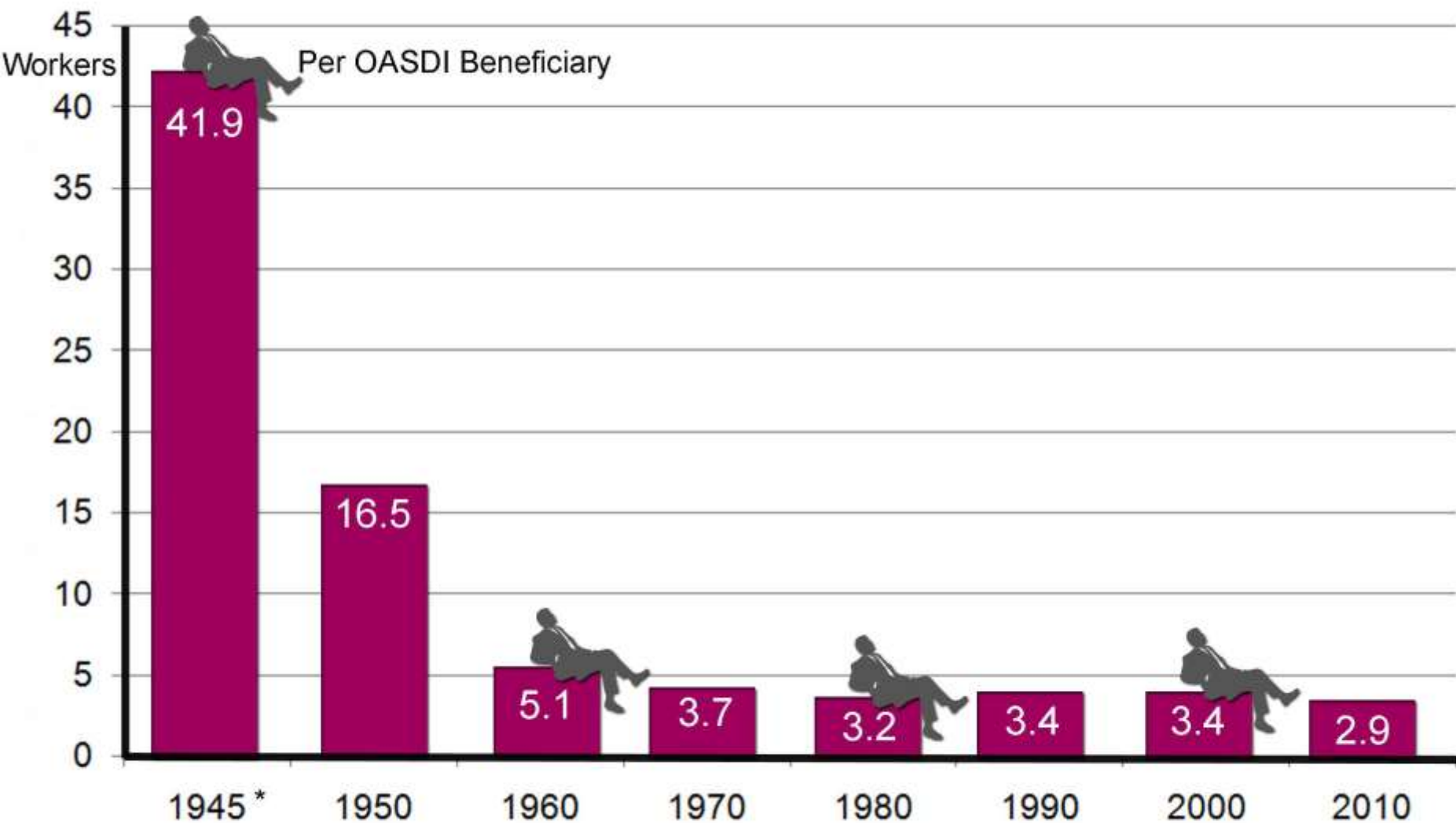


Part of The New Deal



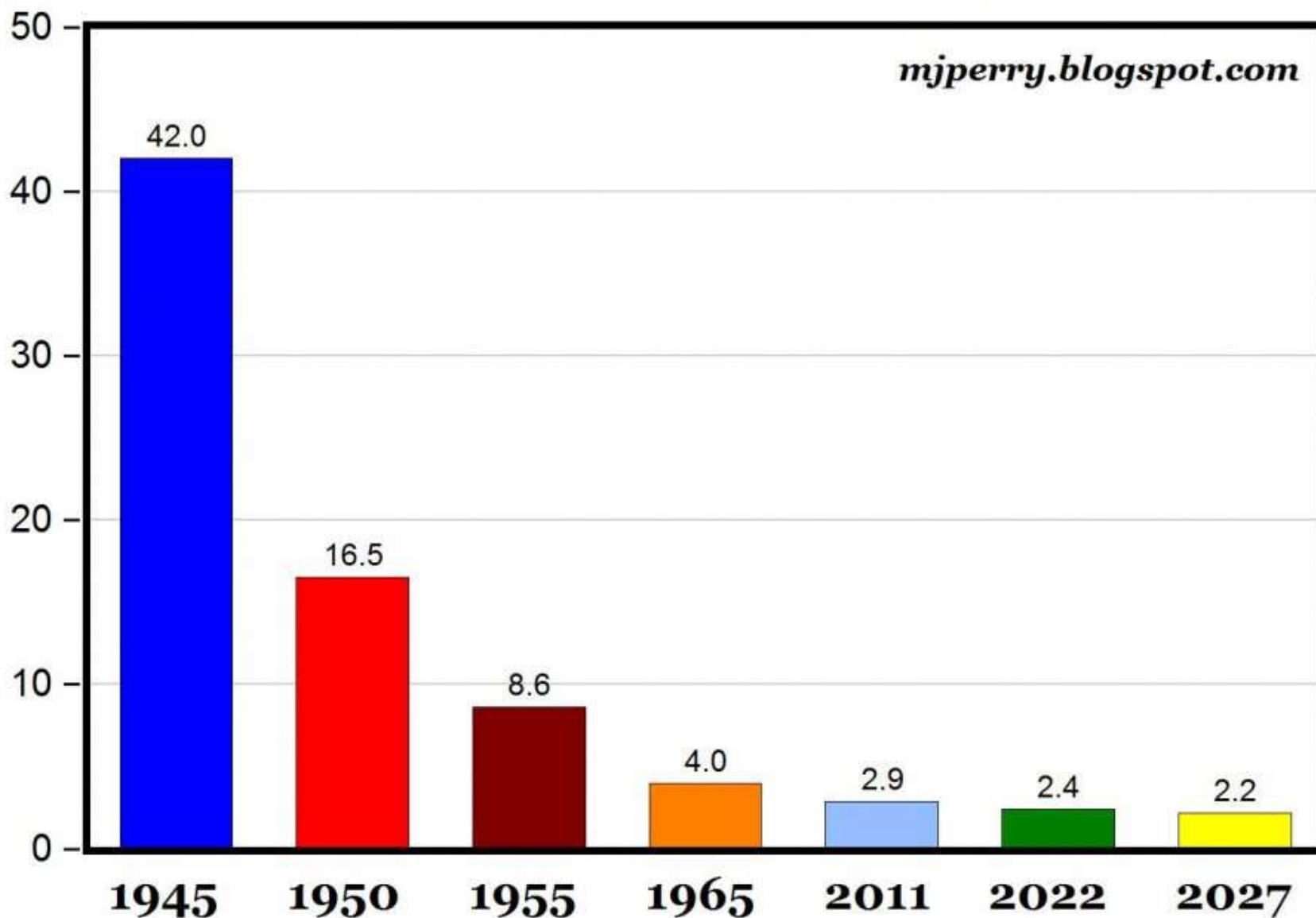
Year	Male: Median	Male: Life	Years in
	Retirement Age	Expectancy	Retirement
1950	66.9 Yrs.	65.47 Yrs.	0 Yrs.
1960	65.2	66.8	1.6
1970	64.0	67.0	3.0
1980	63.0	70.1	7.1
1990	62.6	71.8	9.2
2000	62.3	74.1	11.8
2005	61.7	75.2	13.5

How Many Workers Support One Social Security Retiree?



Source: 2012 OASDI Trustee Report, Table IV.B2., www.ssa.gov, accessed May 21, 2012.
Data note: The Trustee Report provides data from 1945 and onward. Prior estimates are unavailable.
Produced by Veronique de Rugy Mercatus Center at George Mason University.

Workers Per Social Security Recipient

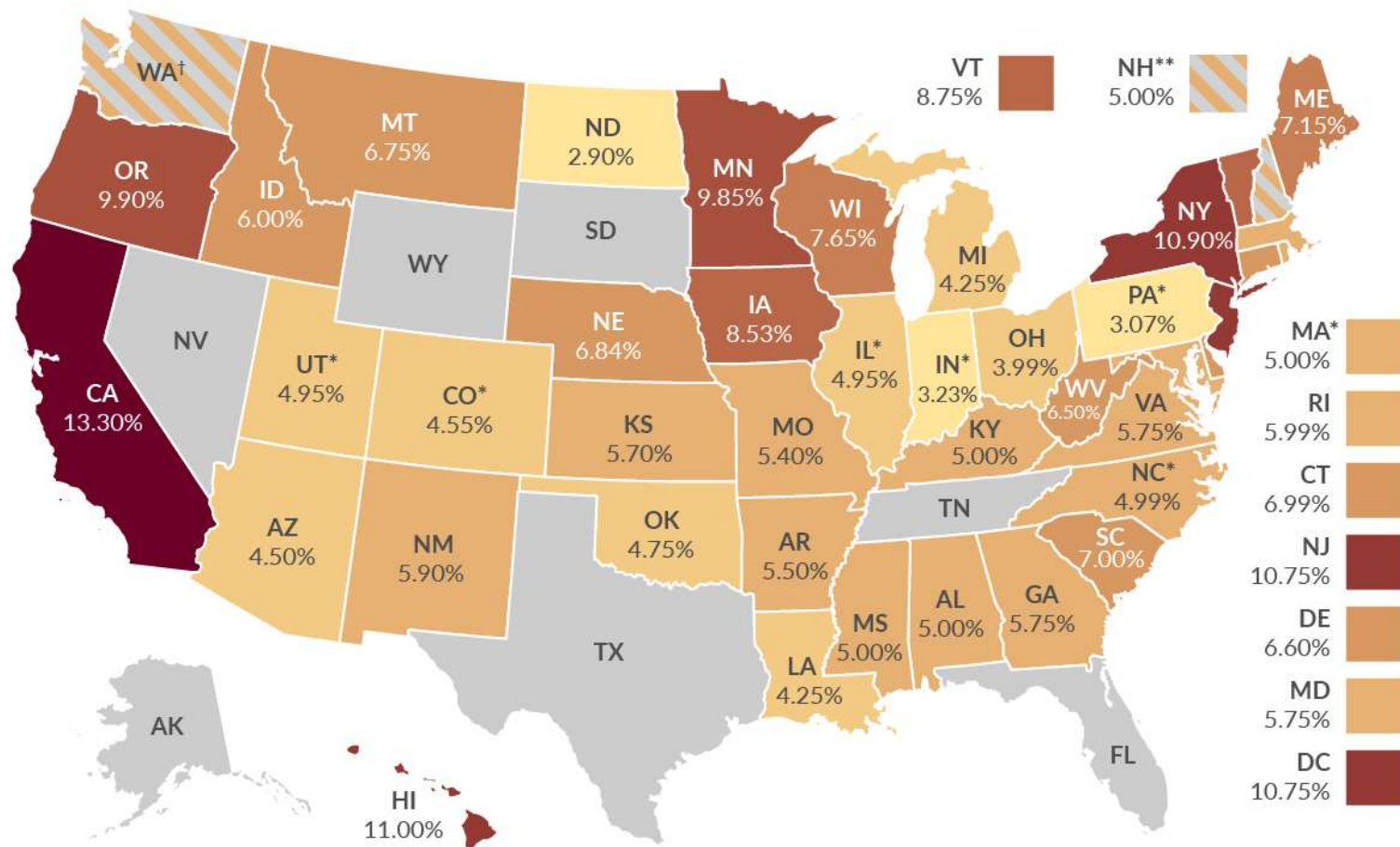


Federal Tax Brackets

Tax Rate	Single	Married Filing Jointly	Married Filing Separately	Head of Household
10%	Up to \$10,275	Up to \$20,550	Up to \$10,275	Up to \$14,650
12%	\$10,276 to \$41,775	\$20,551 to \$83,550	\$10,276 to \$41,775	\$14,651 to \$55,900
22%	\$41,776 to \$89,075	\$83,551 to \$178,150	\$41,776 to \$89,075	\$55,901 to \$89,050
24%	\$89,076 to \$170,050	\$178,151 to \$340,100	\$89,076 to \$170,050	\$89,051 to \$170,050
32%	\$170,051 to \$215,950	\$340,101 to \$431,900	\$170,051 to \$215,950	\$170,051 to \$215,950
35%	\$215,951 to \$539,900	\$431,901 to \$647,850	\$215,951 to \$323,925	\$215,951 to \$539,900
37%	\$539,901 or more	\$647,851 or more	\$323,926 or more	\$539,901 or more

How High Are Individual Income Tax Rates in Your State?

Top Marginal State Individual Income Tax Rates (as of January 1, 2022)



Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included. Missouri's top marginal rate will be reduced to 5.3% if certain revenue triggers are met.

(*) State has a flat income tax.

(**) State only taxes interest and dividends income.

(†) State only taxes capital gains income.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg Tax.

Top State Marginal Individual Income Tax Rates



Lower

Higher

City of Pittsburgh Income Tax

- Residents of **Pittsburgh** pay a flat **city income tax** of 3.00% on earned **income**, in addition to the Pennsylvania **income tax** and the Federal **income tax**. Nonresidents who work in **Pittsburgh** pay a local **income tax** of 1.00%, which is 2.00% lower than the local **income tax** paid by residents.

And Don't Forget

- FICA stands for the Federal Insurance Contribution Act tax, which was passed in 1935 as part of the Social Security Act -- the piece of legislation that created the program responsible for paying monthly benefits to more than 41 million current retirees, and more than 60 million beneficiaries in total each month.
- Also includes Medicare

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

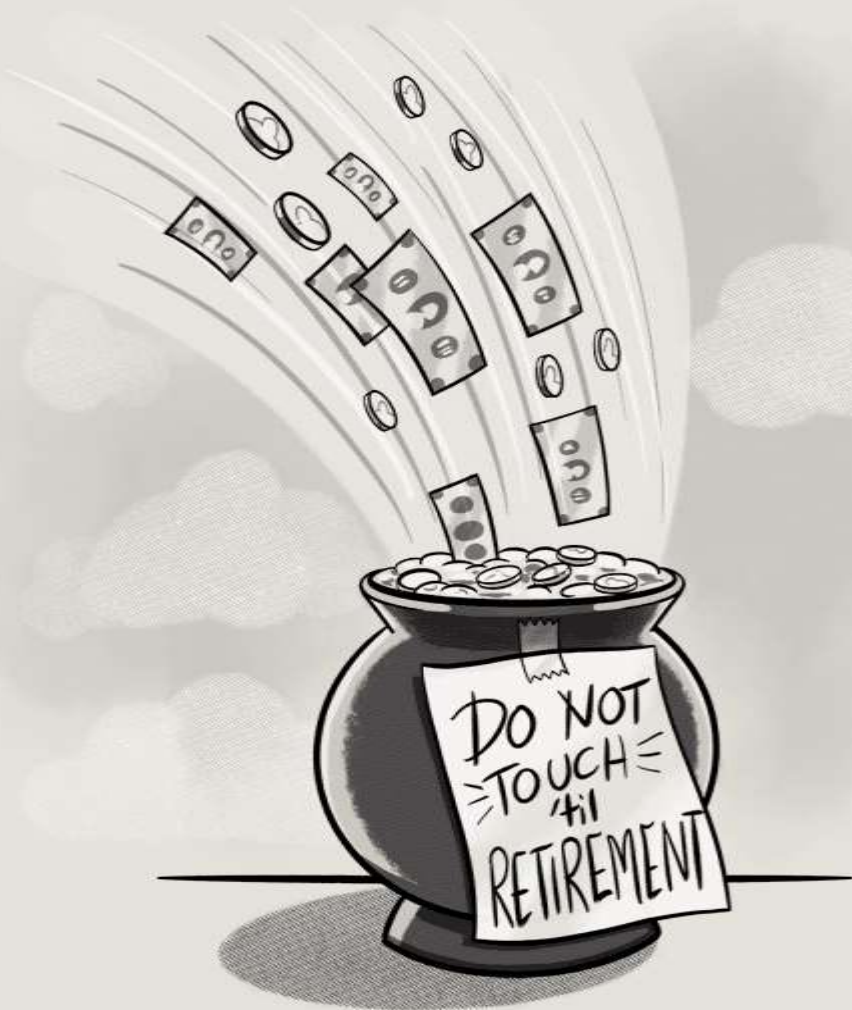
Why Taxes Suck

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



What Is A 401K Plan?





401(k) Plan

['fɔr (')ō 'wən 'kā 'plan]

A defined-contribution, tax-advantaged retirement savings plan that is sponsored by one's employer.

\$20,500 MAXIMUM



**Employee's
Contribution**

(From Pre-tax income)



**Employer's
Contribution**

(Optional in certain cases)



401K Account



**401k income on
retirement**

(Taxed when it reaches the employee)

Example of a 401(k) Plan Matching Program

Annual Salary	Employee Contribution %	Employee Contribution	Employer Match %	Employer Match	Combined Contribution
\$50,000	1%	\$500	50%	\$250	\$750
\$50,000	2%	\$1,000	50%	\$500	\$1,500
\$50,000	3%	\$1,500	50%	\$750	\$2,250
\$50,000	4%	\$2,000	50%	\$1,000	\$3,000
\$50,000	5%	\$2,500	50%	\$1,250	\$3,750
\$50,000	6%	\$3,000	50%	\$1,250	\$4,250
\$50,000	7%	\$3,500	50%	\$1,250	\$4,750
\$50,000	8%	\$4,000	50%	\$1,250	\$5,250

**This chart assumes that the employer matches half the employee contribution up to 5% of their annual gross salary.*

Benefits of opening a 401k

- ✓ Tax breaks
- ✓ Lower tax bracket
- ✓ Shelter from creditors
- ✓ Employer match
- ✓ High contribution limits
- ✓ Contributions after age 72



If You Change Jobs



ROLLOVER YOUR 401(k)

What Happens If I Tap My 401K Early?

Cashing out can cost you

At 36 years old, Leslie decides to cash out her old 401(k) plan account, which has a \$16,000 balance.



This is a hypothetical example for illustrative purposes only. Assumes a 20% federal and state tax withholding rate. Withdrawals prior to age 59-1/2 are generally subject to a 10% early withdrawal penalty. Investing involves risk, including the risk of loss.

Basic Banking



How Have Banks Changed Over The Years and Is It Good?



How Banks Have Changed

- Banks have gone from lending and saving money to becoming involved in asset management and the securities business.



What Did The Federal Government Do To Let Banks Be More Than Banks?



The Glass- Steagall Act of 1932 and The Graham-Leach-Bliley Act of 1999

- The Gramm–Leach–Bliley Act (GLB), also known as the Financial Services Modernization Act of 1999, ([Pub.L. 106-102](#), 113 [Stat. 1338](#), enacted November 12, 1999) is an [act](#) of the [106th United States Congress](#) (1999–2001) signed into law by President [Bill Clinton](#) which repealed part of the [Glass-Steagall Act of 1933](#), opening up the market among [banking](#) companies, [securities](#) companies and [insurance](#) companies. The Glass-Steagall Act prohibited any one institution from acting as any combination of an [investment bank](#), a [commercial bank](#), and an [insurance company](#).

Who Has A Bank Account Now & How Did You Select It?



Types of “Personal” Banks

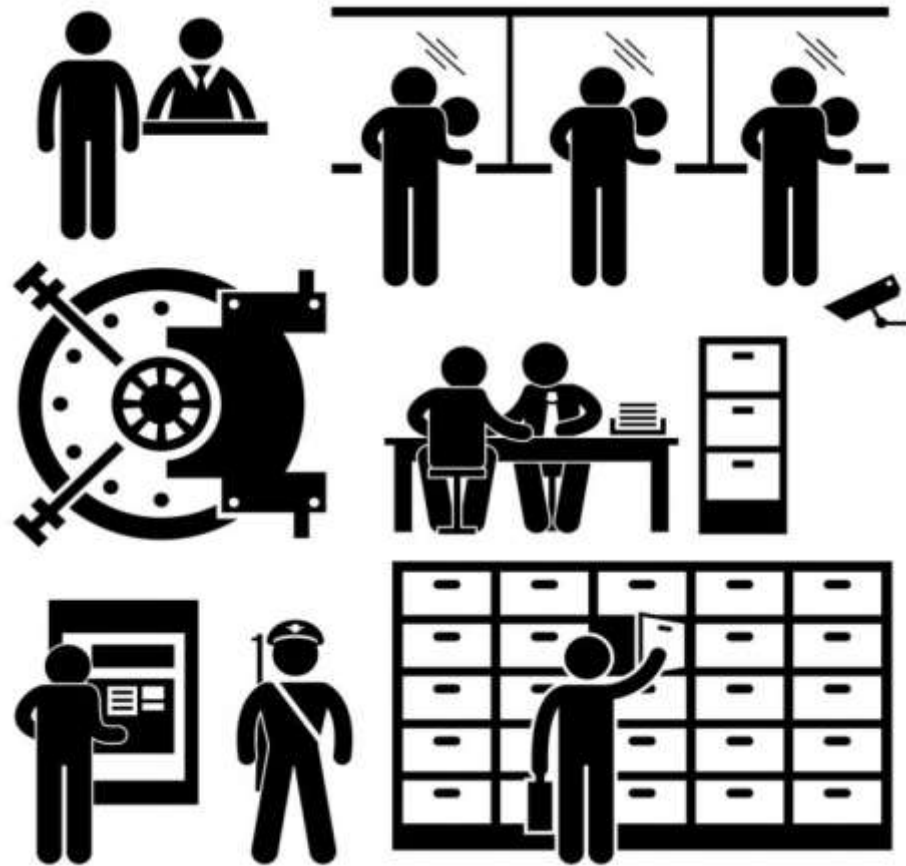
- Banks
- Savings Banks
- Savings and Loans
- Credit Unions
 - Not-for-profit bank formed by people, who have something in common, i.e. workplace or profession



Examples of Local Banks

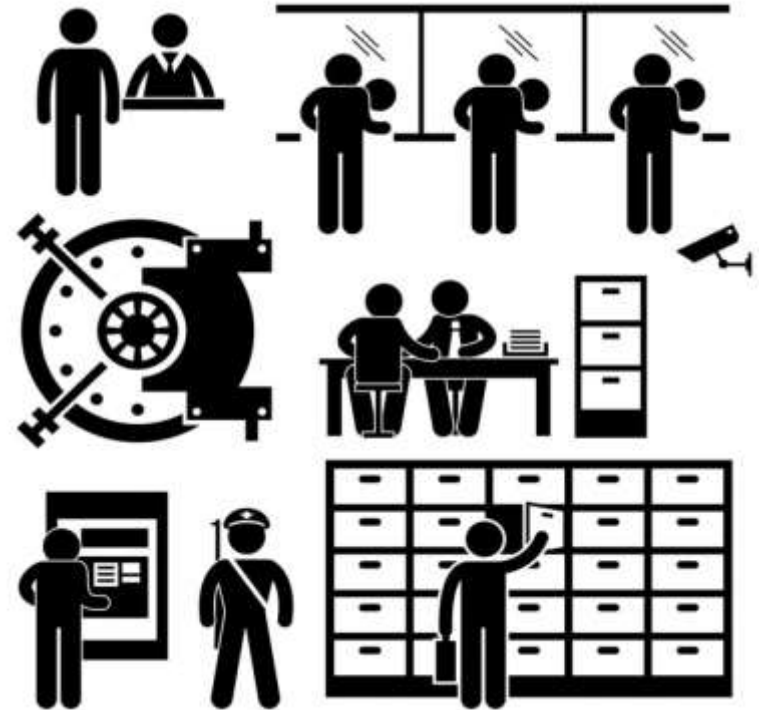
- Pittsburgh
 - PNC, Citizens Bank, Dollar Bank, First National Bank, First Niagara, Huntington National Bank, First Commonwealth Bank, TriState Capital, S&T Bank, Northwest Savings Bank, ESB Bank, Washington Financial Bank.
- Cleveland
 - Huntington Bank, Charter One, Fifth Third Bank, Steel Valley Federal Credit Union, PNC, Key Bank, Chase Bank, US Bank, National City

How Would You Decide On What Bank To Open An Account?














What To Look For In A Bank

- Free Checking
- Nearby ATM or Branch Location
- Online Account Access
- Mobile Banking



Typical Checklist

- | | |
|---|--|
|  Visa® Debit Card |  No Monthly Service Fee |
|  \$100 to Open Account |  Online Banking |
|  Bill Pay |  FDIC Insured |
|  First 50 Checks Free |  No Charge ATMs Available |
|  Earn Interest on Every Dollar
Compounded Monthly |  Online Statements
Available |
|  Monthly Check Images
with Statement |  Overdraft Protection
Available |

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- www.findabetterbank.com

[FAQ](#) | [Blog](#) | [About Us](#) | [Contact Us](#)

FindABetterBank

Frequently Asked Questions

- Where do you get your information?
- How often do you update your information?
- What is a 'branchless or Internet bank'?
- What is a 'Student Account'?
- What is a checking account for people over 50?

Select Your Location

Select your LOCATION 1 → Specify your FEATURES 2 → Estimate YOUR FEES 3 → Choose the BEST ACCOUNT 4 → Open your NEW ACCOUNT 5

Street Address (Optional)

Zipcode (Required)

Find banks within 5 Miles

- ☐ Include branchless/Internet banks
☐ Include student accounts
☐ Include accounts for people over 50

[continue >](#)

In the News

Newsweek

makeuseof.com
web applications | web tools | tips | software

WS WORLDSTART.COM

B Banktastic

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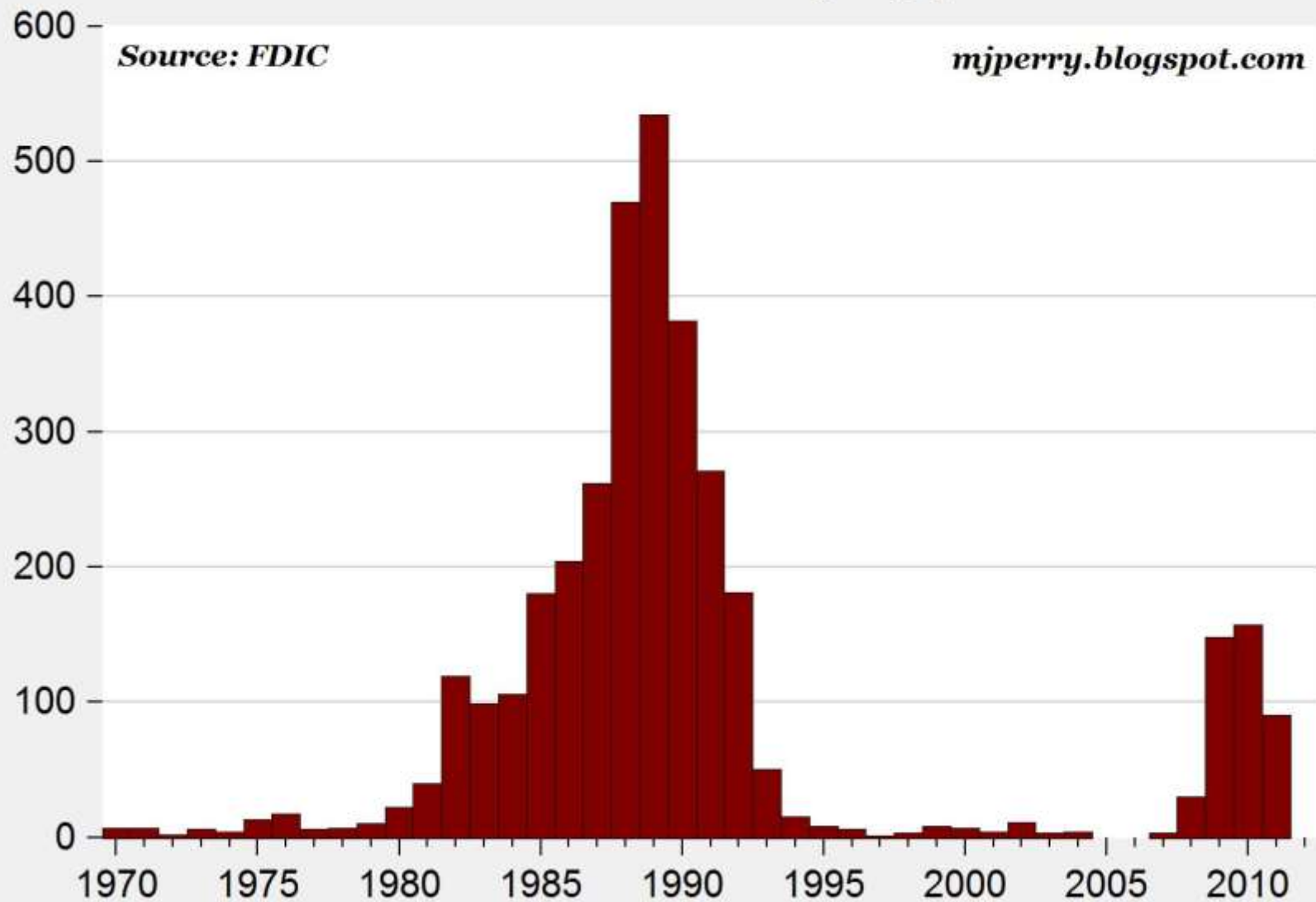
Do Banks Fail?



U.S. Bank Failures, 1970-2011

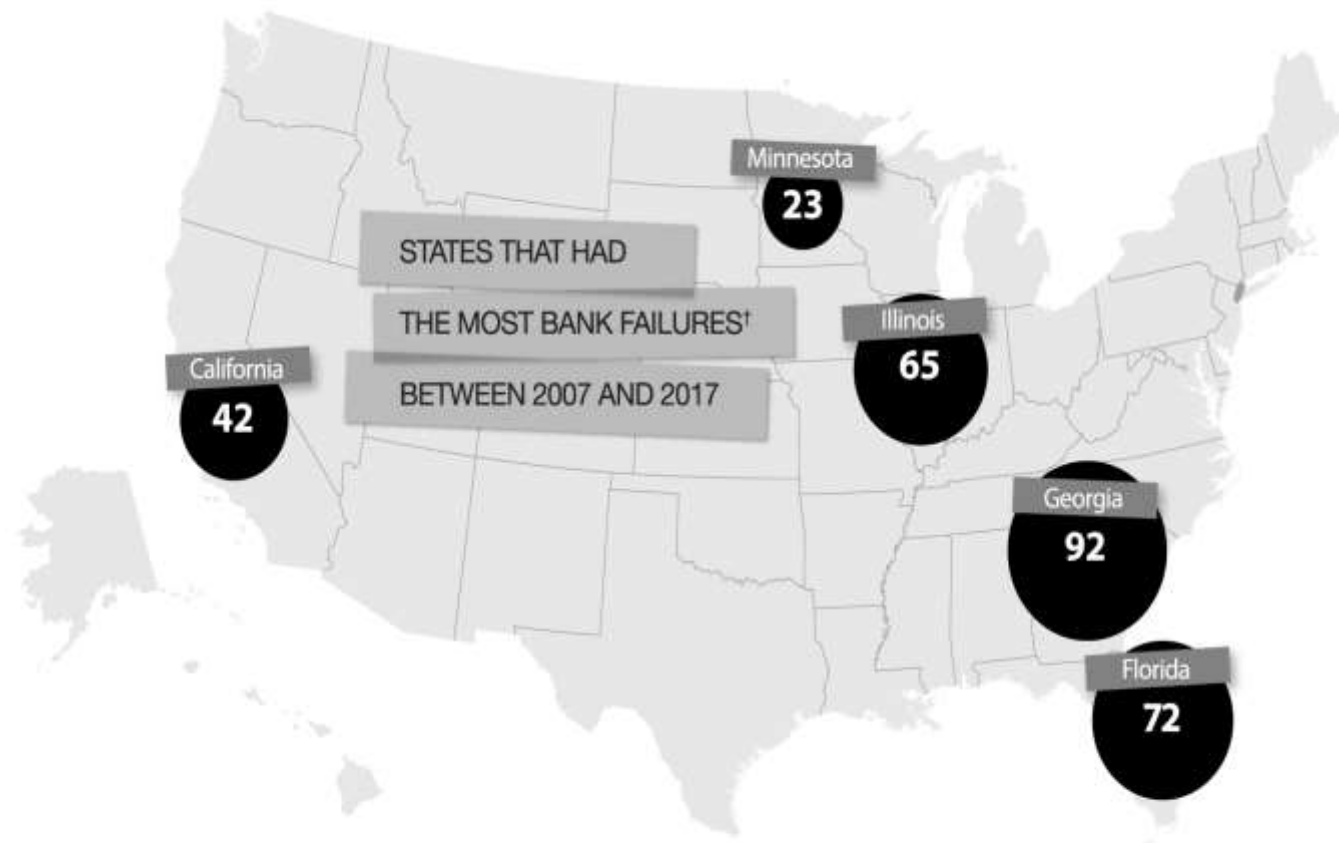
Source: FDIC

mjperry.blogspot.com



How Is Your Money Safe In A Bank?

What Happened When Banks Failed In 2008?



Protecting You If They Fail

- Federal Deposit Insurance Corporation (FDIC)
 - Protects Deposits Up To \$250,000
 - www.fdic.gov/deposit
- National Credit Union Share Insurance Fund



What Actions Should You Regularly Take With Your Bank Account?



Managing Your Account

- Monitor Your Checking Account Balance
- Be Careful of “Overdraft Protection”
 - “Courtesy Programs”
 - Often more expensive than overdraft charges
 - Overdraft “Line of Credit”
- Link Your Accounts
- Avoid Interest Bearing Accounts
 - High minimum balances

Our Crazy London ATM Story



What Should You Routinely Do To Manage Your Bank Account?



Managing Your Account

- Pay Your Bills Online
 - Can program to pay your bills
 - Can also make “pay yourself first” deposits
- Use Direct Deposit For Your Checking
- Pick-Up The Phone
 - Call them about dubious fees



How Many Have A Checking
Account?
How Many Look At It Monthly?



How Can Your Checkbook Serve As A Way To Monitor Your Budget?



How Do You Balance A Checkbook”?



Balancing Your Checkbook

- Enter all transactions into your checkbook register each day. This includes ATM withdrawals, online bill payments and debit card purchases.

ATM-Bank Machine D-Deposit DC-Debit Card PC-Home Banking PP-Pre-Authorized Payment TD-Tax Deductable SF-Servicing Fee T-Transfer									
CHECK NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT, FEE OR WITHDRAWAL (-)		T	DEPOSIT OR INTEREST (+)		\$	
1291	2/12	Clothing store	48	12				251	88
	2/14	Deposit				120	00	371	88
	2/29	Interest				1	29	373	17



Balancing Your Checkbook

- Review your account statement as soon as it arrives. Compare the monthly statement to your checkbook register, and place a check mark next to all of the items that match.

NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT AMOUNT	✓	FEE	DEPOSIT AMOUNT	BALANCE \$
221	10/12	EDISON ELECTRIC	85 30	✓			142 60
Debit	10/14	CHEVRON	23 15	✓			34 15
-	10/15	DEPOSIT PAYCHECK		✓		864 70	
-	10/24	ATM	100 -	✓			
222	10/27	CHERRY ST. APTS	570 -	✓			228 85

Check Off All Entries

Matches Bank's Balance



Balancing Your Checkbook

- Adjust your checkbook register if necessary. Add or subtract items on your register that appear on your statement but were overlooked when filling in your register.

Check Register

Check number	Date	Transaction Description	Payment Amount	Deposit Amount	ACCOUNT BALANCE	
142	1-2-08	Phone Co.	41.05		-41.05 565.88	← The amount of a check ← Running account balance
143	1-3-08	Gas Co.	340.22		-340.22 225.66	← The amount of a check ← Running account balance
	1-4-08	Deposit		100.00	+100.00 325.66	← Amount of deposit ← Running account balance
	1-4-08	New checks	20.00		-20.00 305.66	← Charge for checks ← Running account balance
144	1-5-08	ABC Store	41.05		-41.05 264.61	← The amount of a check ← The amount remaining in your account



Balancing Your Checkbook

- If you find errors, double-check everything.
- It's easy to make a mistake such as transposing numbers or missing an ATM or at-the-cash-register debit withdrawal, so it's a good idea to double-check every entry first.
- Then, if there are still errors, contact your bank.



Balancing Your Checkbook

- Finish. When your statement's ending balance matches the ending balance for that month on your check register, your account has been reconciled.
- Congratulations!



What Is A Credit Rating?

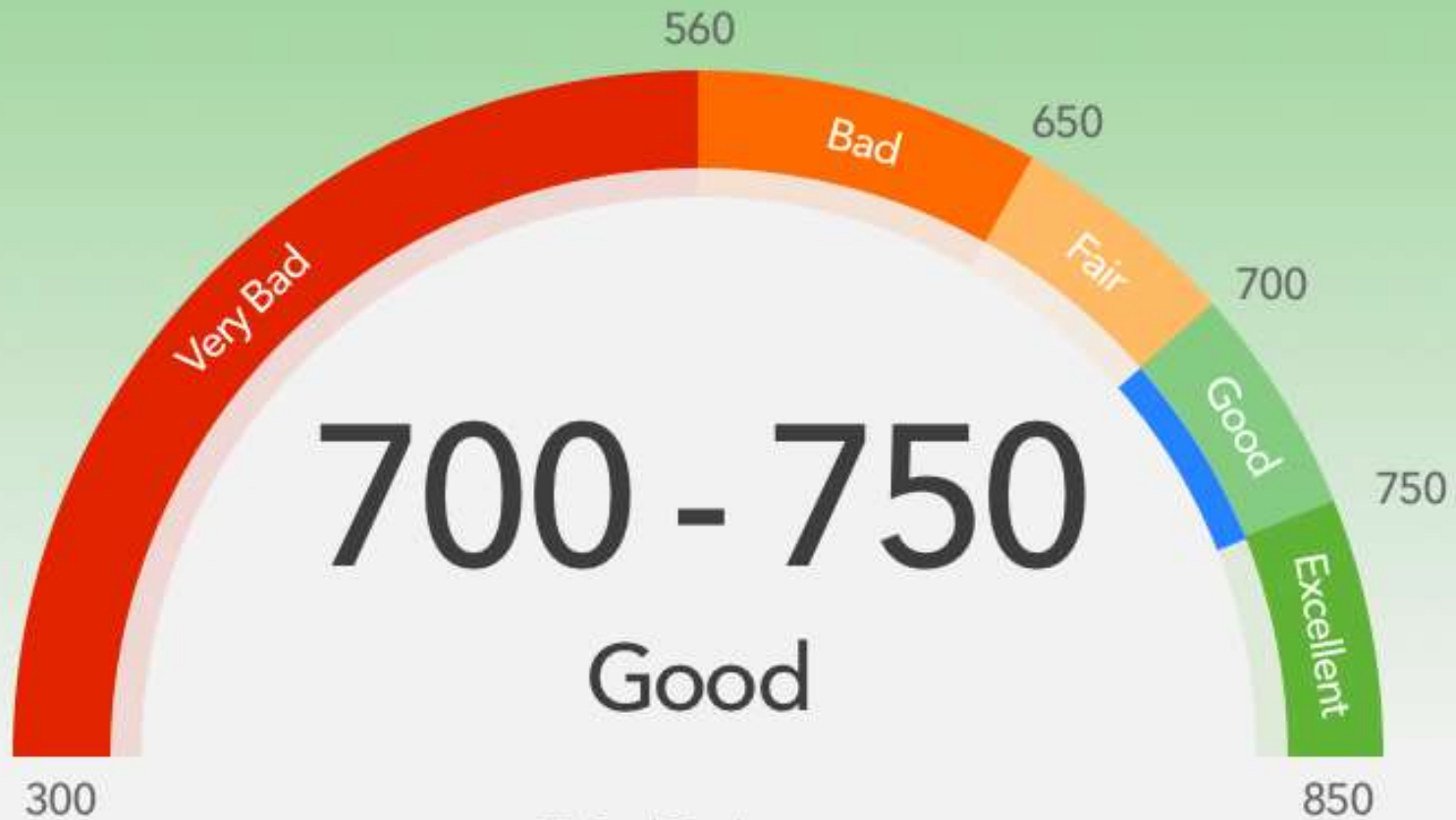


Credit Rating

['kre-dit 'rā-tiŋ]

A quantified assessment of a borrower's creditworthiness in general terms or with respect to a particular debt or financial obligation

FICO® Credit Score



MyBankTracker.com

How To Maintain A Good FICO Score





📅 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