1 - Minute Check-in

1. Name?

2. Teaching responsibilities?

3. What is the one thing you wish you had learned early on about spending or budgeting?
   (or)

   Share a memory about one of your first major purchases you made with your own money.
Seminar Topics

- Develop strategies to manage your finances and protect yourself from potential financial catastrophe
  - Current spending and saving statistics and trends
  - Value of having a process to proactively plan how money will be used
  - Budget management tools and personal budgeting techniques
  - SMART financial goals
  - How timing can impact the ability to achieve financial goals
  - Psychological issues that drive an individual's spending choices and habits
  - Significance of recognizing how values impact independent and/or joint financial decisions and money management practices
  - Decision-making process and financial issues
  - Techniques to deal with financial "shocks"
  - How a budget will change throughout a person's lifetime
Money Management Behaviors

Take one step forward

In the past year, have you . . .

- Used a spending plan/budget?
- Paid down a loan or credit card balance?
- Saved for a major purchase? (i.e. home, business, education, retirement)
- Set aside $ for unplanned expenses?
- Tracked your spending habits?
- Established financial goals?
- Discussed money management with family members? (i.e. child, spouse, parents)

Take one step backward

In your adult life, have you . . .

- Not paid a bill on time?
- Carried over a credit card balance?
- Used one credit card to pay another loan or card balance?
- Maxed out a credit card balance?
- Kept a purchase a secret?
College Student Money Behaviors

- Study of 2,000+ freshmen at Univ of Arizona (2007-2008)
  - Average credit card balance at end of Year 1, $169
  - 13% used a credit card daily; 23% used card a few times a week
  - 27% had an education loan at end of Year 1, $1,000-$75,000
  - Students with higher balances tend to have more credit cards
  - 82% used a non-risky strategy to cope with short-term money problems
  - 72.5% reported using at least one extreme behavior in previous 6 months:
    - Did not pay bill(s) on time
    - Maxed out credit card(s)
    - Did not make full payment on credit card(s)
    - Used payday loan(s)
    - Borrowed money via a credit card (s)

Source: APLUS Study, University of Arizona, 2009
What is Important?

What are the 10 things you most want from life?

- Complete the Value Survey activity
- Review Life Values Quiz results (pre-work)
- Write a Money Motto/Tweet
Do your habits match your values?

Jump$tart Teacher Training Program – Spending & Financial Planning
How do people “cheat” with $$$?

- “Financial infidelity”
- Money matters impact relationships

What are your experiences?
Handling Joint Decisions

Now that you know your money values may differ from others, how can you better handle money management decisions?

- Navigate or avoid money conflicts
  - Recognize differences in values
  - Share financial goals
  - Collaborate on a financial plan
Dear Blabby:

I am so upset! All I asked for was $500 to buy the most rocking Prom dress ever from MY college fund, the one my Grandparents set up for me. They said they would think about it--THINK ABOUT IT!! Why can't they understand that Prom is the most important night of my life and this dress is *perfect*--it is totally worth every penny. Beside $500 won't make a real difference on the cost of college. Please help me convince them to give me MY money.

Signed,
Pretty in Pink

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Based on a true story; names have been changed to protect identities
duke, where did my savings go?

personal savings rates in america from 1959-2009

before the credit revolution

black monday

October 19, 1987

A few months prior to the global stock market crash of October 19, 1987, the personal saving rate dipped to a low of 3.0%. As the crash spread from Hong Kong and westward towards Europe and finally the United States, the Dow Jones dropped by 22%, the largest percentage decline in history.

high: 14.6% on 05/01/1975
low: 5.4% on 04/01/1980

Dot-Com bubble

1998-2001

The dot-com bubble created billions in wealth on paper and brought soaring prices for indices such as the tech-heavy NASDAQ Composite index.

As the bubble burst, $5 trillion in the market value of technology companies was wiped out towards the end of 2002.

high: 4.7% on 09/01/2001
low: 0.9% on 10/01/2001

credit crisis

2007-2009?

The worst financial crisis since the Great Depression, the 'Great Recession' was brought about by housing bubbles, sub-prime / predatory lending and the collapse of big banks.

Billions have been wiped out and as the dust is settling, a renewed interest in savings has begun.

high: 6.0% on 05/01/2009
low: 0.8% on 04/01/2008

personal savings rate trends 1959-2009
Emergency Fund

- Why have a fund?
- What are fund guidelines?
- Calculate your target emergency fund
- Compare your target fund with current fund
Set SMART Financial Goals

- Specific
- Measurable
- Attainable
- Reasonable & Realistic
- Time-bound
Your SMART Financial Goals

- Short-term (0-3 months)
- Intermediate (3 months – 1 year)
- Long-term (> 1 year)
The Success Triangle

1. Risk management/Estate preservation
2. Cash reserves
3. Investments
4. Retirement programs
5. Exotic
To Plan or Not to Plan

We don't plan to fail; we fail to plan

- Why designate financial goals?
- Why develop a spending plan?
Reasons People Fail Financially

1. Procrastination
2. Failure to establish goals
3. Ignorance of what money can do to accomplish their goals
4. Failure to understand and apply tax laws
5. Failure to properly prepare for the unexpected
6. Failure to develop a winning financial attitude
Create a Spending Plan

1. Estimate expenses
2. Estimate income
3. Adjust budget based on goals & realities
4. Track spending
5. Adjust when situation changes
Life-Changing Events

- New job
- Leave job
- Expand family responsibilities
- Reduce family responsibilities
- Own a home
- Retire
- Others?
Spending Leaks

How do your “spending leaks” impact a budget?

Example:
Even if you find a discounted place to purchase your latte, that could still cost roughly $2 every day, which means about $60 per month. (And $720 a year!) If you have a monthly budget of $800 a month for food for a family of four, that daily latte could sabotage your budget, eating 7.5% of your monthly food allowance.
10 Steps to Achieve Financial Success

- Pay yourself first
- Avoid personal debt
- Educate yourself about money
- Educate yourself about investments
- Protect your family’s future
- Set objectives
- Develop a financial strategy
- Maximize your retirement programs
- Implement your plan
- Periodically review your plan
Top 10 Tips for Teens

What money management tips most apply to students?

Resources . . .


Reflection

Reflect on the lessons you have learned the hard way about managing your spending habits and what you wish you had known as you were leaving high school. Be prepared to share your reflections in a wrap-up discussion.

Think about:

- What do you wish you had known about spending and planning in your teen/early adult years?

- What is a spending or planning lesson you have learned from your experiences?

- How can you help your students develop skills to make informed spending and planning decisions either through classroom instruction or club activities?
Application

- Think about your values, financial goals, and spending habits.
  - Fine-tune your SMART financial goals. Be sure to seek input from others who will be impacted by the goals.
  - Create a household budget, or modify an existing budget based on your current life situation.
  - Determine at least three new strategies to help you to stick to your financial plan. Create an action list with a timeline to carry out the strategies.
How does my state pension effect my Social Security income?

Who is affected?
There 14 presently states with independent retirement systems (and do not pay into the Social Security system) for teachers which are: Alaska, California, Colorado, Connecticut, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Minnesota, Missouri, Nevada, Ohio, and Texas.

Windfall Elimination Provision (WEP)
WEP affects teachers who worked enough in employment covered by Social Security to receive SSA benefits under their own Social Security number. SSA figures their benefit using the WEP formula, which results in a smaller benefit.

Government Pension Offset
GPO affects recipients of teacher's pensions who become eligible for Social Security benefits as the current or former spouse or survivor of a worker who paid into Social Security. SSA deducts two-thirds of their pension from the Social Security dependent’s benefit.

Exception to WEP
When the teacher paid into Social Security through other employment substantially for over 20 years, the amount of WEP decreases 5 percent each year of substantial earnings above 20. No WEP offset applies if he worked substantially under Social Security for 30 years or more.

Exception to GPO
If the teacher’s pension plan covered employees under Social Security during the last 60 months of employment before retiring, the GPO does not apply.
Value of a 403(b) Plan

- Contributing to your account with before-tax dollars will reduce your current taxable income. A $3,000 before-tax contribution looks more like $2,190 after tax.\(^1\)

- 403(b) plans have minimal paperwork and expense, minimal tax filing, and no requirement to make ongoing contributions.

- For plan participants, 403(b) plans provide creditor protection at both the federal and state levels.

- In general, you can contribute as much as $18,000 in 2017. Those age 50 or older may be eligible for a catch-up contribution, which would increase the limit by $6,000.

\(^1\) Assuming a 27 percent federal tax bracket.
## SIMPLIFIED 1040

**Latest Revision for:**

1040

Department of the Treasury - Internal Revenue Service

**Part 1: Income**

1. How much money did you make last year?

2. Send it in.

**FEDERAL INCOME TAX FORM**
Cost of Procrastination

- Procrastination can be costly
- Target amount at age 65\(^1\) $1,000,000

### Lump-sum investment

<table>
<thead>
<tr>
<th>Age 25</th>
<th>Age 35</th>
<th>Age 45</th>
<th>Age 55</th>
</tr>
</thead>
<tbody>
<tr>
<td>$46,031</td>
<td>$99,377</td>
<td>$214,548</td>
<td>$463,193</td>
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</table>

### Monthly investment

<table>
<thead>
<tr>
<th>Age 25</th>
<th>Age 35</th>
<th>Age 45</th>
<th>Age 55</th>
</tr>
</thead>
<tbody>
<tr>
<td>$286</td>
<td>$671</td>
<td>$1,698</td>
<td>$5,466</td>
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</table>

\(^1\) This assumes an 8% rate of return. The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.
Safe Withdrawal Rate

“How much can I withdraw from my portfolio without depleting my savings over a long retirement?”

- Unfortunately, there is no simple answer, since it depends on your needs and goals in retirement, as well as the composition of your retirement portfolio. It becomes even more challenging during market downturns. That’s why working with a financial adviser is critical in helping you determine the withdrawal rate that is appropriate for you.

- Many experts have conducted research on this topic. While the past can’t predict the future, and no definitive answers exist, the conventional wisdom is that 4% represents a reasonable rate for a long retirement. As chart 1 shows, a variety of asset mixes that include stocks and bonds survived at the 4% rate over 25-year periods (that is, they didn’t run out of money). It also illustrates that a mix of stocks and bonds has produced solid returns.
Importance of Diversification

Jan invests $100,000 in a single investment

- $100,000
- 7%
- $572,542

Dean invests $20,000 in five different investments

- $20,000
- No value
- $20,000
- 0%
- $20,000
- 5%
- $20,000
- 10%
- $20,000
- 12%

Dean’s total

- $726,534

A $153,992 difference

1 The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product. Calculations assume monthly compounding from the beginning of the period.
Measuring Volatility

**Beta**

- **Beta = 1.20**
  - 20% more volatile than S&P 500

- **Beta = 1.00**
  - S&P 500

- **Beta = 0.80**
  - 20% less volatile than S&P 500
Pursuit of happiness

The Constitution only guarantees the American people the right to pursue happiness. You have to catch it for yourself.

— Benjamin Franklin