

How to not freak out about your finances



(It's really not that bad)

- 1. Spending**
- 2. Saving**
- 3. Debt**
- 4. Earning**

**If you learn
nothing else...**

By the end of this talk, you should know:

(don't worry, you can have these slides if you forget)

1. Make a small emergency fund – Aim for 1 paycheck to start. Be safe, feel smug.
 2. Get a credit card, pay it off every month, period.
 3. Make a budget. Target 50/20/30: Your fixed expenses / savings / discretionary spending.
-

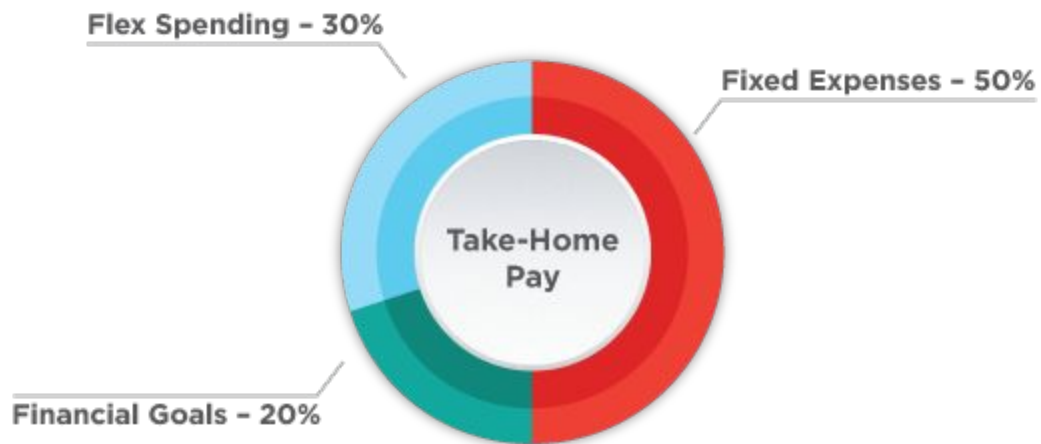
Spending

Make a budget.

**Why make a
budget?**

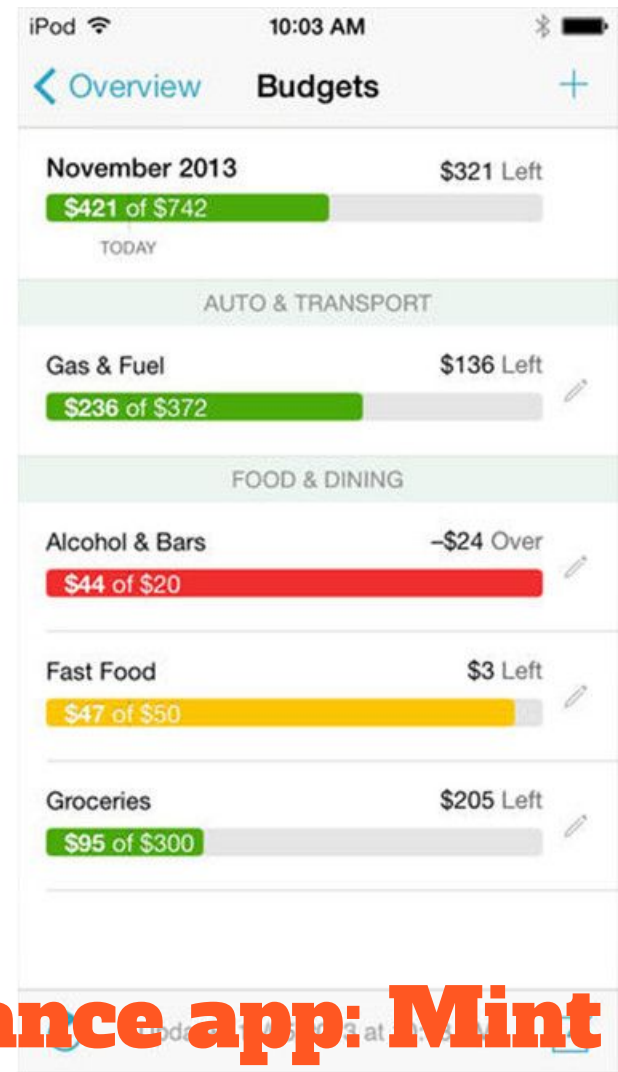
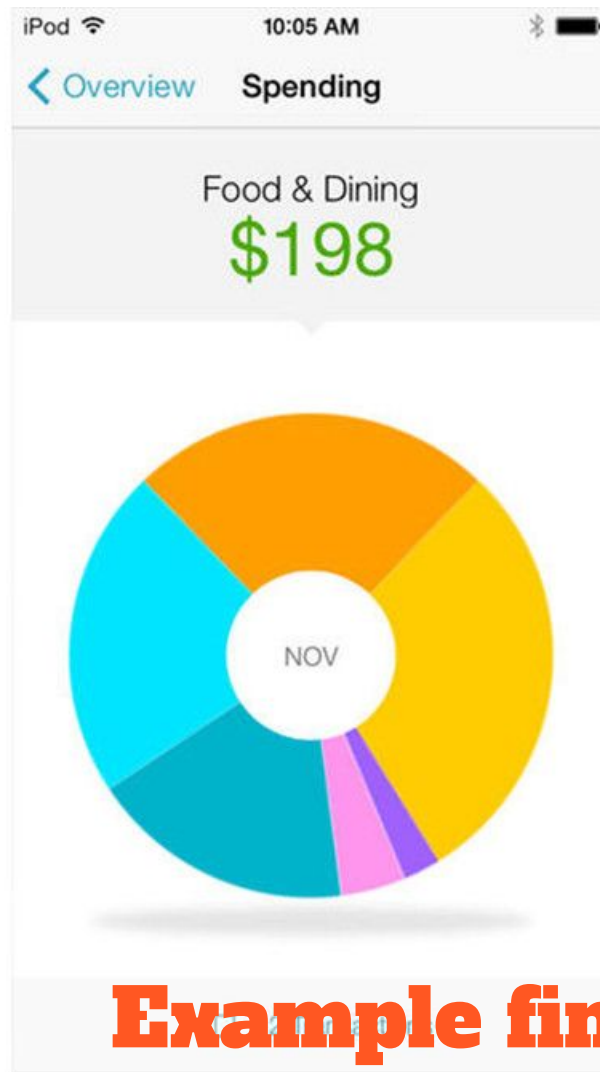
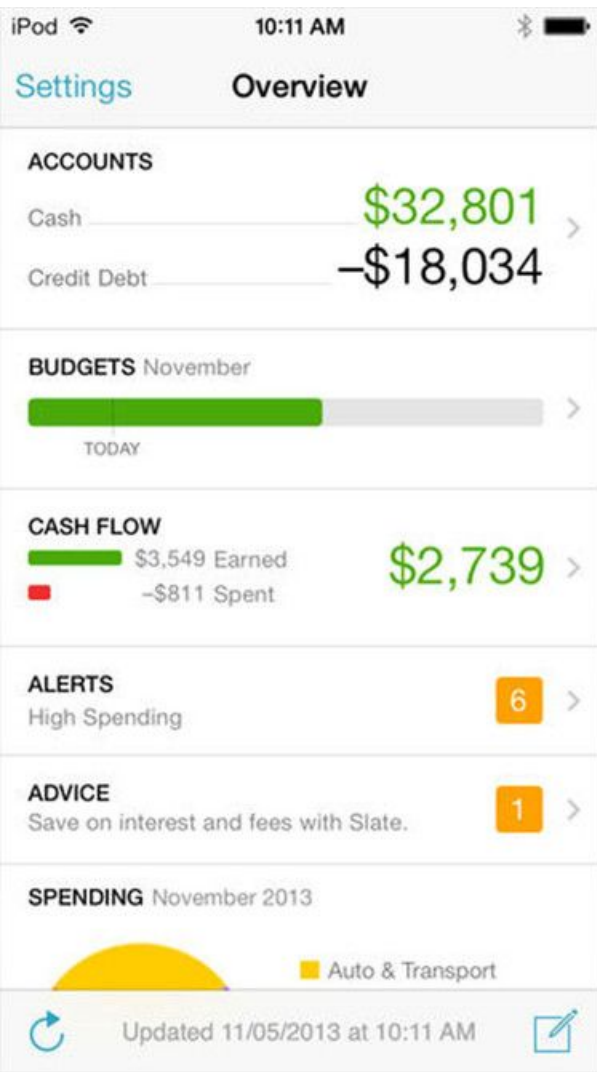
**Knowledge =
Freedom**

The
50 | **20** | **30**
Rule



Budget tools

Mint, You Need A Budget, Google sheets, etc.



Example finance app: Mint

A

B

C

D

E

Personal Budget Calculator from Free Financial Advice

<http://www.free-financial-advice.net/create-budget.html>

Directions: Fill in the Yellow cells, the rest will be calculated for you automatically. Copy the sheet for each month or extend the columns for an annual budget.

Results:	Monthly	Yearly	%	Comments
Total Income	\$0.00	\$0.00	#DIV/0!	
Necessary Expenses	\$0.00	\$0.00	#DIV/0!	
Discretionary Income	\$0.00	\$0.00	#DIV/0!	
Investment Spending	\$0.00	\$0.00	#DIV/0!	
Discretionary Income less Investments	\$0.00	\$0.00	#DIV/0!	
Discretionary Spending	\$0.00	\$0.00	#DIV/0!	Keep this as low as possible
Amount remaining to save or invest	\$0.00	\$0.00	#DIV/0!	Try to keep this percentage above 5%, above 20% is outstanding

	Monthly Budget	Annual Amount	Comments
Income:			
Your Primary Income	\$0.00	\$0.00	
Your Spouse's Income	\$0.00		
Child Support or Alimony		\$0.00	
Social Security Income		\$0.00	
Disability Income		\$0.00	
Pension Income		\$0.00	
Investment Income		\$0.00	
Real Estate Investment Income		\$0.00	include expenses from this below
Business Income		\$0.00	from your own business, include expenses below
Other Income		\$0.00	
Total Income	\$0.00	\$0.00	

Necessary Expenses:

Payroll Taxes		\$0.00	
Other income deductions		\$0.00	Do not include insurance or investments here
Rent or Mortgage		\$0.00	

Example budget: Google Sheets

Budget guidelines

You need to budget three things:
Fixed costs, savings, and
discretionary.

- Start with your TAKE HOME salary. (Use a tax calculator if you don't know.)
 - Put it ALL in. This will take a few tries.
 - Be honest, or it's useless and will just make you feel bad.
-

TWO BONUS THOUGHTS TO START

Some philosophy on how to spend,
from some life experience

NUMBER ONE: Start out living affordably. It is WAY easier to get used to living simply early on than to try to retrench later. Once you start spending at a certain level, it is VERY painful to go back.

In other words, stay off the

Hedonic

Treadmill

As a person makes more money, expectations and desires rise in tandem, which results in no permanent gain in happiness

TWO BONUS THOUGHTS TO START

Some philosophy on how to spend,
from some life experience

NUMBER TWO: Don't base your
spending habits on your friends.
They may have circumstances you
don't know about that don't apply to
you.

Four Steps to a Budget

Step one: Your income

Step two: Fixed expenses

Step three: Saving

Step four: Flex spending

Budget Step One: Your Income

Income

If you don't know it yet, you can estimate.

- Use your POST-TAX i.e. TAKE-HOME income.
 - Trickier if you are in grad school and living on loans - Do the other steps first and make a reasonable estimate of what you need to borrow based on your expenses.
-

Taxes

You need to pay these.

Use an online calculator to estimate your take-home in the state you will be in.

Earnings Statement

Company Name
 0000 Nonexistent Ave.
 Nowhere, USA 00000

Pay Period: 2/17/2011 to 3/2/2011
Pay Date: 3/2/2011

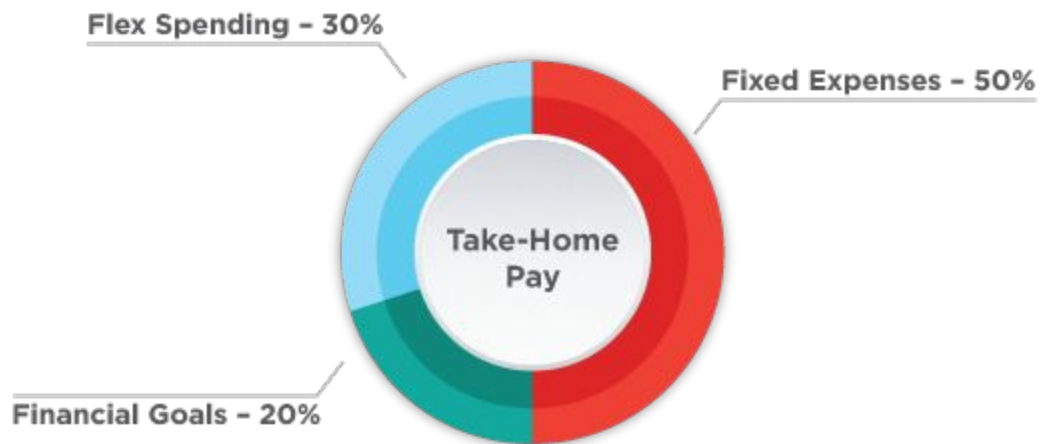
John Doe
 0000 Any St.
 Nowhere, USA 00000

Hours and Earnings			Taxes and Deductions	
Hours	Rate	Earnings	Description	Amount
80	\$27.00	\$2160.00	Federal Tax	\$296.75
			State Tax	\$97.38
			Social Security	\$81.41
			Medicare	\$28.10
Gross Year-to-Date	Gross This Pay Period	Total Deductions	Net Pay	
\$8640.00	\$2160.00	\$503.64	\$1656.36	

These are your federal income taxes. →
 These are state taxes. ↗
 These are your federal payroll taxes also known as FICA. ↗

Budget Step Two: Fixed Spending

The
50|20|30
Rule



Set it and forget it

Do this first. Make good decisions ONCE, have more money forever.

THE easiest way to stay in your budget!

Rent

You need to live somewhere.

Aim for 25% to at most $\frac{1}{3}$ of your total take-home salary for the month. *Set your range and be firm on the top end – you can assume you will pay that.*

THE easiest way to stay in your budget!

Rent

It will probably not be as nice as your dorm room.

- Be aware of extra cash required
 - *Often first month rent + last month rent + security deposit + moving costs.*
 - Don't forget utilities are usually on top.
 - *These can vary a lot. If you are moving in with roommates, ask what is average.*
 - *And remember to set up heat, gas, electricity, & WiFi if it isn't included*
-

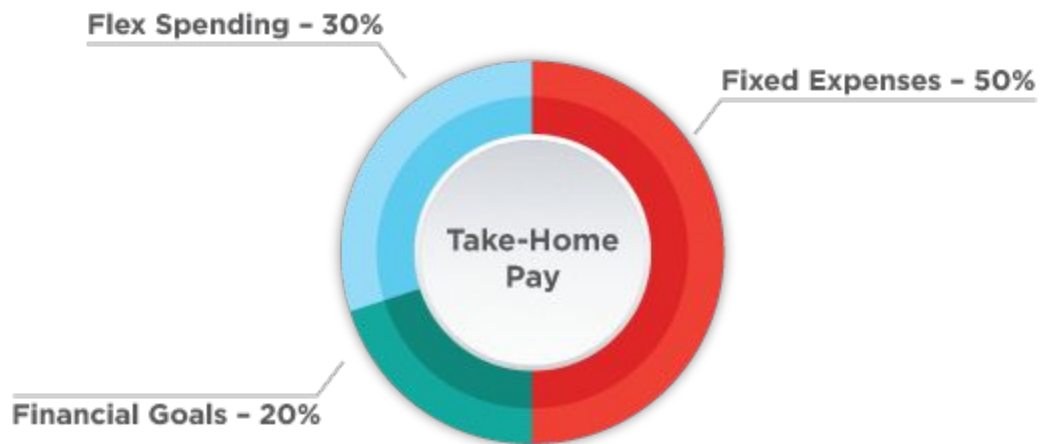
Other fixed costs

Gym memberships, car insurance, health insurance – whatever you DEFINITELY MUST spend.

Put as much as you can in here so you know how much you have available to save and play with.

Budget Step Three: Saving

The
50 | **20** | **30**
Rule



Aim for 20%

I know, I know.

We'll get more into WHERE to save
in a minute.

You have perfect timing!

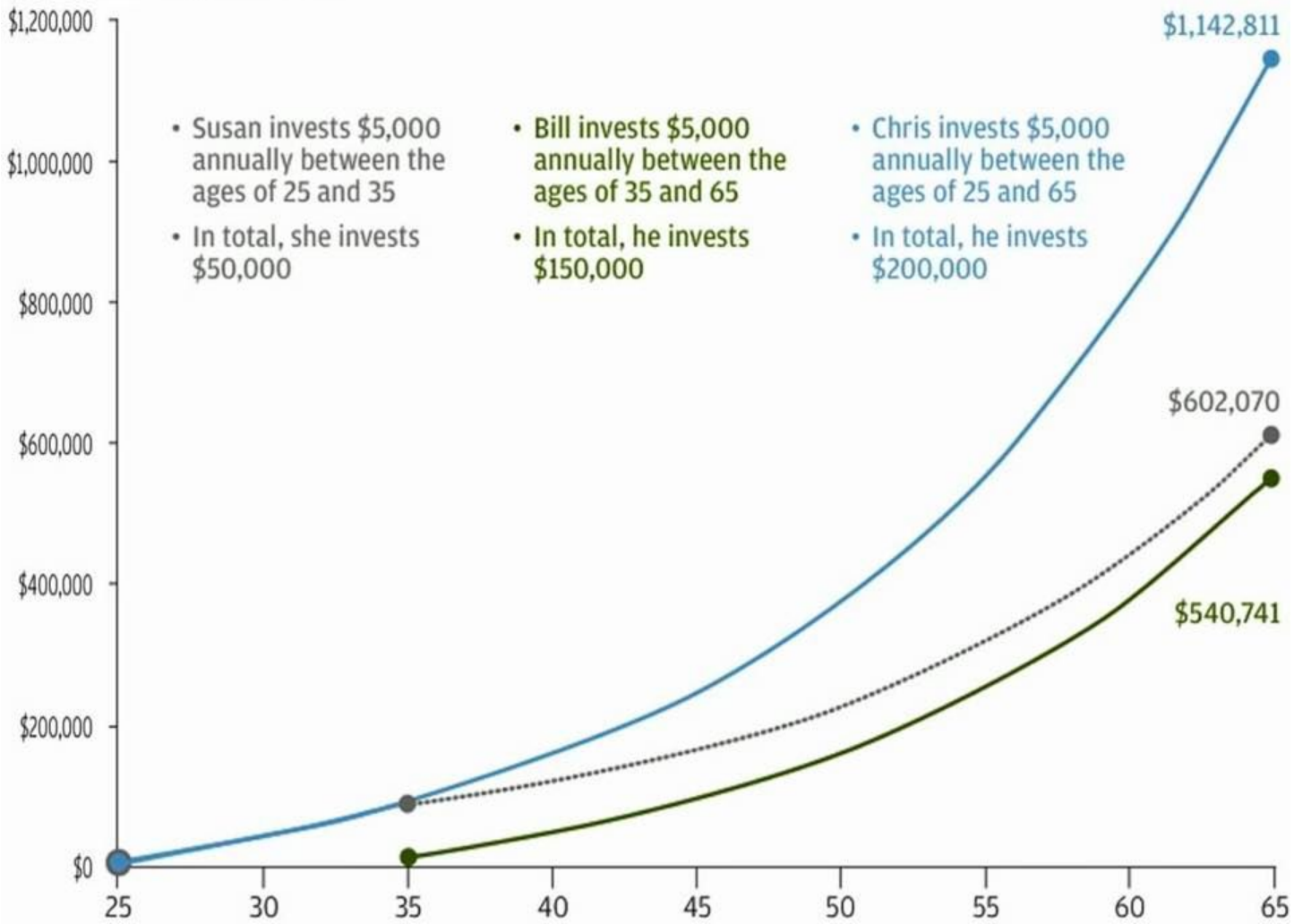
Well done!

You have the power to make the rest of your life easier.

Compound interest is your friend!

Just \$100 + 12% interest +
compound interest + 50 years =
\$28,900!

Growth of savings accounts



Keep an emergency fund.

I hope you don't need it.

Say you get laid off. Say your dog breaks your finger. Say you have to go home unexpectedly. Say your friends ask you to be in their wedding. Say you get robbed. Say your car breaks down. Say you need to move, asap. Say there is a puppy you want to adopt. Say the puppy needs lots of vet visits.

**Save for the
puppy.**



Keep an emergency fund.

Even a small one will be a huge help.

Start out aiming to save one paycheck for an emergency.

Keep it in a separate account.

Keep an emergency fund.

It can be huge peace of mind and
avoid credit card debt.

The easiest way to think about it is
aiming to be able to get by without
an income for X months. (I'd aim for
at least two.)

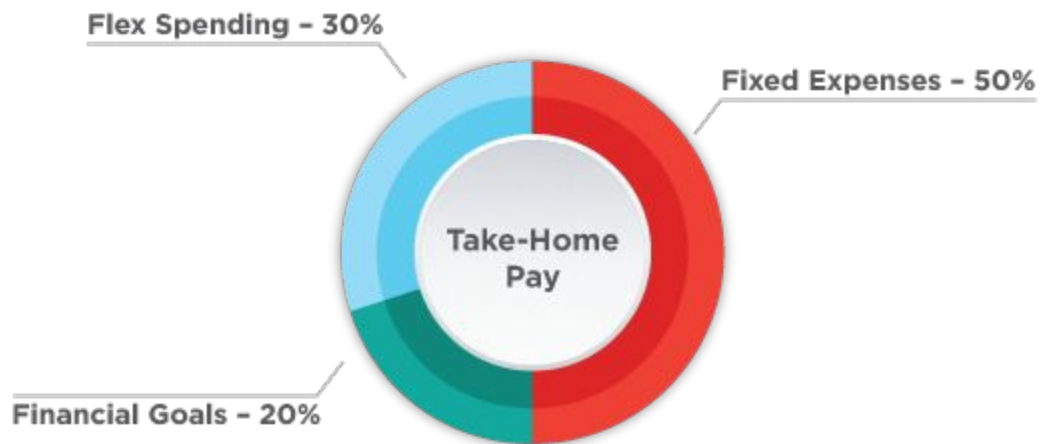
What is your rent? What other
expenses are non-negotiable?

[REDACTED] When buying stuff (objects), generally speaking it's better to understand quality and make purchases that are likely to have resale value or investment buys that will get you better dollar per use over time. Right out of college, I felt a lot of pressure to keep up with my colleagues and peers materially and bought a lot of stuff I can't even remember now.

Also, it's hard, but if having an emergency fund means eating crackers for lunch here and there, I think it's worth it - especially if you get laid off or face medical expenses while uninsured. [REDACTED]

Budget Step Three: Flex spending


The
50 | **20** | **30**
Rule



 Ooh, I know: buy furniture on Craigslist! It makes me sad to hear how much money my friends have spent on new bedroom sets.

Unlike · Reply ·  1 · February 12 at 4:27pm



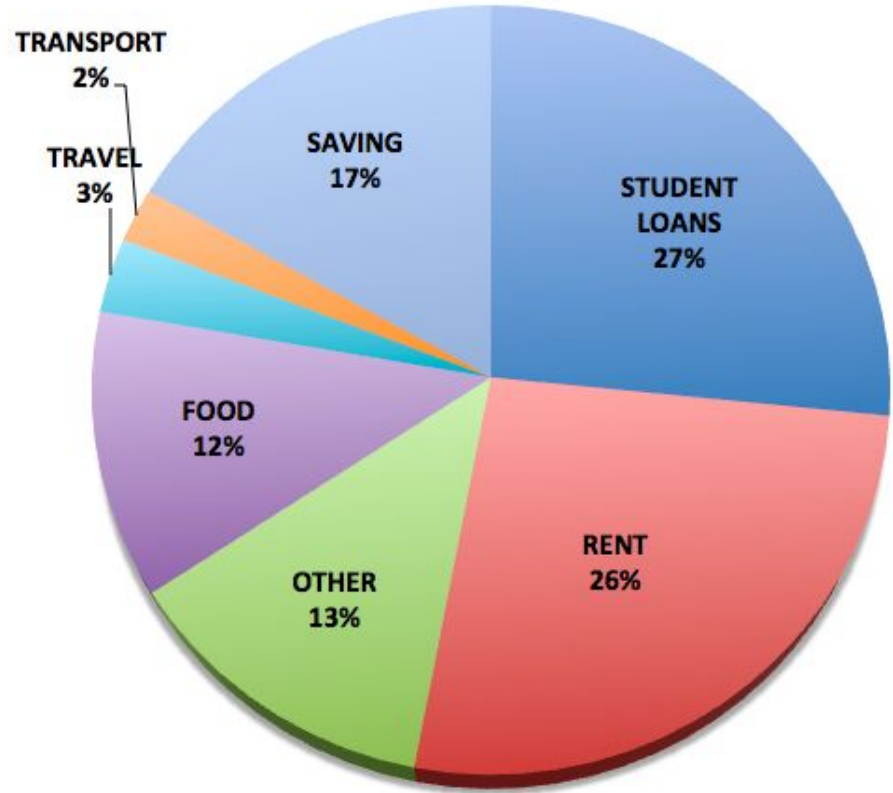
 Avoid lighting cigars with flaming bills of denomination higher than \$1. Although it might be tempting to believe otherwise, the quality of flame from an ignited \$1 bill is no worse than that from a \$20 bill, to say nothing of that from a \$100 bill.

Unlike · Reply ·  3 · February 12 at 4:34pm

What you will spend your money on

- **FIXED:**
 - Student loans
 - Rent
 - Health insurance
 - Taxes
 - Transport (commuting/car stuff)
- **SAVINGS!**
 - Yes, really.
- **DISCRETIONARY**
 - Food
 - Fun - Alcohol, shopping, etc

Example Breakdown of Spending



Saving

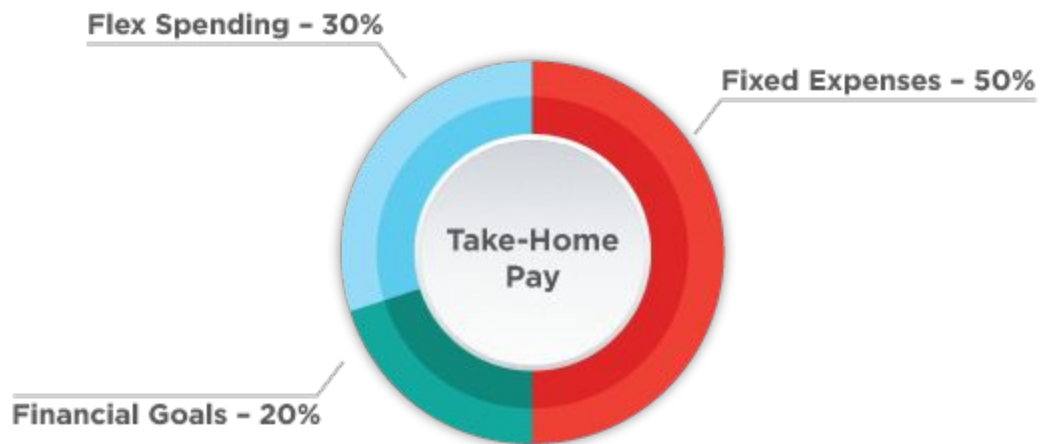
Early and often

And well, ideally.

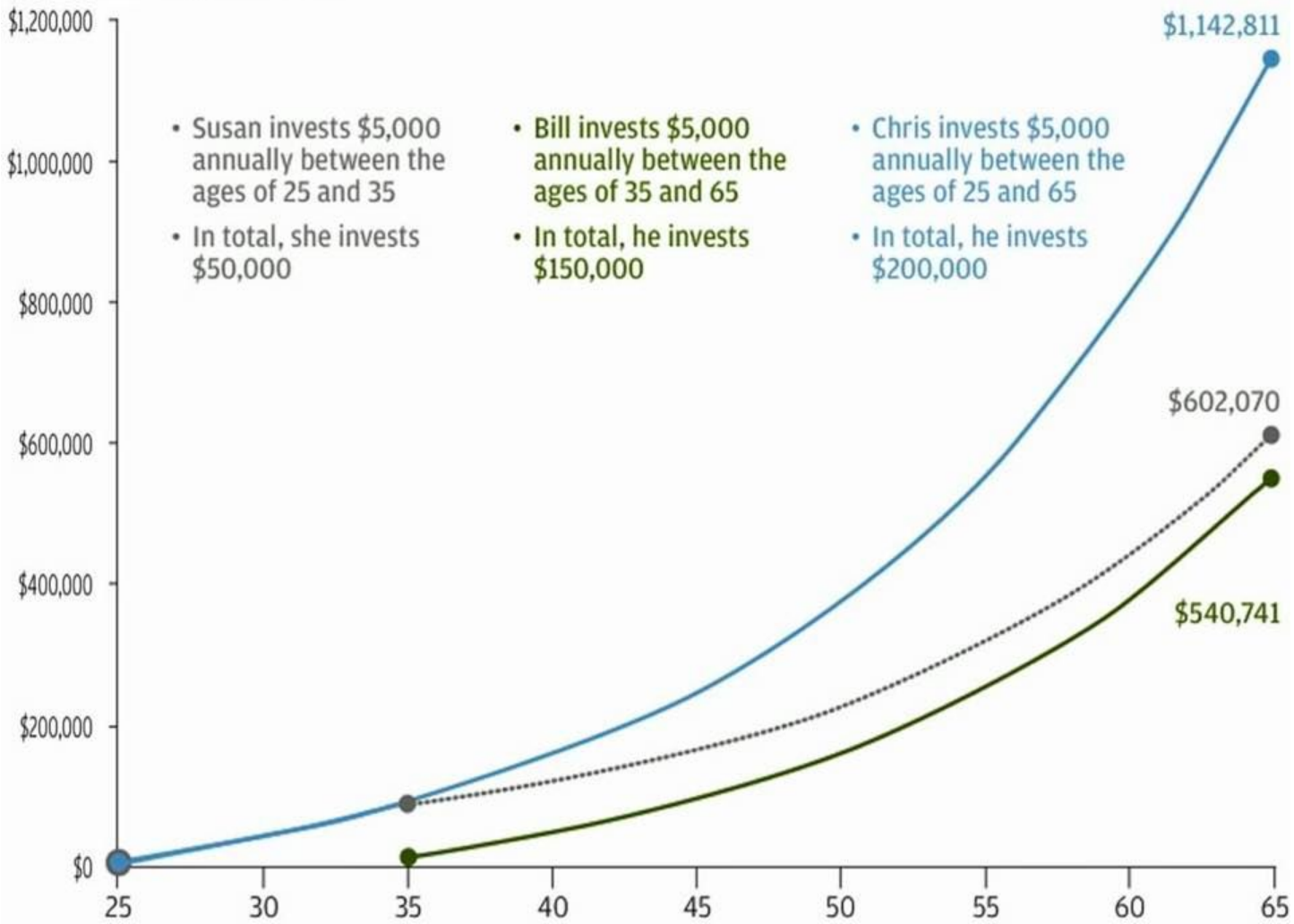
Aim for 20%

Put your savings where it can work
for you.

The
50 | **20** | **30**
Rule



Growth of savings accounts



Max your 401(k) or equivalent employee contribution.

Buy inexpensive, well-diversified mutual funds such as well-chosen target-date funds.

Never buy or sell individual securities. The person on the other side of the table knows more than you do about their stuff

Save 20% of your money.

Pay your credit card balance in full every month.

Maximize tax-advantaged savings vehicles such as Roth, SEP, and 529 accounts.

Pay attention to fees. Avoid actively-managed funds

Make financial advisors commit to fiduciary standard.

Support social insurance for when things go wrong.



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Debt

The ugly, the bad, and the good

Credit cards

You need one, but don't use it the way they want you to.

Credit card companies make money by screwing you over.

Don't line their pockets, line yours.

Credit cards

Don't pay their rent, pay yours!

Beware of extras. Watch the fees.
Manage fraud.

Pay it every month. Use autopay, at
least for the minimum.

**\$1000
DEBT**

**19.9%
INTEREST**

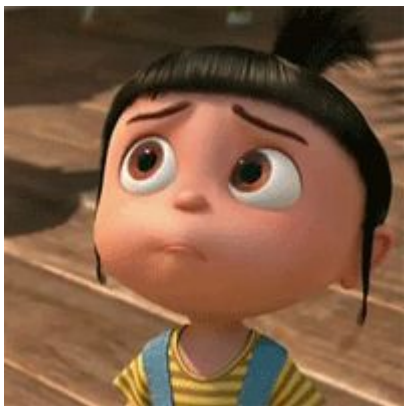


15 YEARS TO PAY



2 YEARS TO PAY

You



Them



You



Them



An aside on Credit Scores

Your credit may be checked when...

You apply to rent an apartment

You apply for a job

You apply for a car or other loan

So you need a decent credit score.

You can do it!

Checking your credit score is free.

Mint will give you an update every few months, some credit cards will give it to you with your bill, and you can get it numerous places online.

If there's a ding on your credit score, you can fix it

Don't worry

CreditKarma & other resources help
you figure it out.

Student Loans

Do not go to law school.

- Educate yourself about your options.
 - Look VERY CLOSELY at interest rates.
 - Take out ONLY what you need. (Use a budget to help!)
 - Take into account financial aid AND other benefits like loan forgiveness and summer stipends when picking your grad school.
-

Loans

I'm kidding! But I'm not.

Grad school can be the biggest influencer of your lifetime financial situation, both in good and bad ways.

Don't go without a plan.

Find some people with the degree you are seeking and talk to them about the decision (Amherst alumni database is great for this.)

Loans

And if you must...

Look at financial aid to the last detail.

Ask a friend who's been through it if you are stuck.

Pay it off

Pay off your highest interest rate debts first (usually credit cards)

Earning

This one is pretty straightforward.

Negotiate your salary

Always negotiate salary

Resources:

Difficult Conversations

Lean In

**Other important
things**

Healthcare

Use resources available to know your options.

If you have an employer or school option, you probably want it, even if it seems expensive.

Final Thoughts

Free advice - you get what you pay
for.

Your network is your safety net. *And
be that person for your friends to
reap returns!*

Friends who are a few years ahead
of you are an amazing resource.

Be skeptical of financial advice from
people your parents' age :)

Right now

Pick just ONE thing to do, and you'll already have started!

- Tally up any student loans you already have and calculate your monthly payments
 - Open a budget google sheet and enter your fixed expenses
 - Download a budget app
 - Open a savings account, either an online one like CapitalOne 360 or just move some into your bank savings account
 - Make a calendar reminder to do another one of these things in a month or a month after you think you'll have started a job
-

experienceeducate.org







CAREERS





Randomized Controlled Trial: Impact Highlights

Educate!'s Monitoring and Evaluation team, in partnership with Innovations for Poverty Action, is conducting a randomized control trial of its flagship program, the Educate! Experience, as part of its efforts to rigorously measure the impact of Educate!'s work.

	Increase in annual Income	Increase in % who Own a Business	Leadership Increase in % with community project
Educate! Impact on All Scholars Control vs. Treatment	 <p>Educate! Grads earned \$173/year more</p>	 <p>64% Increase</p>	 <p>123% Increase</p>
	Control = \$165/yr. Educate! grad = \$338/yr.	Control = 31% own biz Educate! grad = 50.7% own biz	Control = 16.4% own initiative Educate! grad = 36.5% own initiative
Educate! Impact on Girls Control vs. Treatment	 <p>Educate! Female Grads earned \$200/ year more</p>	 <p>152% Increase</p>	 <p>208% Increase</p>

Educate! Scholars doubled their income!

**We'll keep
you posted**

<https://educate.workable.com/jobs/152366>

lacrary at gmail

**Loren Crary on
LinkedIn**