Shoes, Shopping, and Savvy Savings

Financial Literacy for Women

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“I like my money right where I can see it. Hanging in my closet.”

–Carrie Bradshaw, Sex and the City
“Your mouth is telling me you can’t afford to pay back the money I loaned you, but the new shoes on your feet are telling me another story.”

–someecards.com
Agenda

• Challenges facing women
• Investment basics
• Retirement saving and Social Security
• Saving for education
• Steps to financial success
Woman, without her man, is nothing.
Challenges facing women

• Women live longer than men
• Reduced financial literacy
• Have not created a financial plan
• Debt to income ratio is higher
• Interest rates, market volatility, longevity, and inflation
Investment basics

Stocks
- Equity or Shares
  - Security that shows ownership in a company
  - Shareholder
  - Dividends - earnings of the company paid to shareholders

Bonds
- Fixed Income
  - Debt security (I.O.U.)
  - Buying a bond - you lend money to the issuer
    - Issuer - corporation, federal, state, or local government
  - For lending the money - you receive interest paid to you over time
  - Repaid the face value at maturity
Investment basics

Money Market
- Security used to invest for the short term (less than a year)
- Liquid & safe - can get your money fast and easy!
- Examples: CD, T-Bills, Mutual Funds

Mutual Funds
- Security that is a pool of money collectively invested
- Managed by a fund manager (portfolio manager)
- Invests in stocks, bonds, or money markets
Retirement saving

Employer sponsored plans
- 401(k) and 403(b)
  - $19,000/year
  - $6,000/year catch-up age 50+
- Traditional and Roth
- SEP or SIMPLE IRA, and Profit Sharing Plan
Retirement saving

- HSA (Health Savings Account)
  - Save money pre-tax to pay for qualified medical expenses
    - High deductible health plans
  - $3,500/year for individual medical coverage
  - $7,000/year if covered by family medical plan
  - $1,000/year catch-up age 55+

Many companies offer a matching contribution.
FREE MONEY!
Retirement saving

Other options for before and after you retire

• IRA account
  • $6,000/year
  • $1,000/year catch-up age 50+
• Traditional and Roth
• Retire - Rollover 401(k) or 403(b) to an IRA
Social Security

At age 62 - Early Benefit
• Receive approximately 70 - 75% of full benefit
  • Income limit
• If you live to age 78 - better to wait for full benefit

At age 66+ - Full Benefit
• Receive full benefit
  • Income limit for the first year
• Receive approximately 8% increase to your benefit each year you delay

At age 70 - Enhanced Benefit
• Receive approximately 132% of full benefit
  • No income limit
• If you live to age 85 - better to wait for enhanced benefit

Request a copy of your statement at ssa.gov/myaccount
Saving for education

529 Plans

• Educational savings plan
  • Pays for tuition, books, room and board, and other education-related expenses
  • Used for any accredited colleges and universities
  • **NOW** can be used for eligible public, private, and religious primary and secondary educational institutions (K-12)

• Tax advantages
  • Any earnings grow federal income tax deferred
    • Eligible for state tax deductions
  • Distributions for qualified education expenses are federal income tax **FREE**

Anyone can start a 529!
Steps to financial success

Budget and pay off debt
• Create a budget
• Pay off most expensive debt (*highest interest rates first*)
• Change spending habits if necessary

Create an emergency fund
• Used for *UNexpected* events - **EMERGENCIES**!
• *2 income household*: emergency fund = 3 months of expenses
• *1 income household*: emergency fund = 6 months of expenses
• Use safe and liquid investments
  • Savings, checking, or money market account
Steps to financial success

Recommended Budget Percentages

Net Income of $3,200

1. Saving 10.00% $320
2. Housing 30.00% $960
3. Utilities 5.00% $160
4. Food 20.00% $640
5. Transportation 10.00% $320
6. Entertainment 5.00% $160
7. Debt 10.00% $320
8. Other 10.00% $320
<table>
<thead>
<tr>
<th>Monthly Income: Money Coming In</th>
<th>Cash Flow</th>
<th>Worksheet</th>
<th>Monthly Expenses: Money Going Out</th>
<th>Cash Flow</th>
<th>Worksheet</th>
<th>Analyze</th>
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<tr>
<td>Gross Salary per Month</td>
<td>$ 5,000.00</td>
<td>Savings/Investments</td>
<td>$ 318.00</td>
<td>$ 350.00</td>
<td>Need</td>
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<td>Medical</td>
<td>$ 130.00</td>
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<td>Vision</td>
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<td>Mortgage/Rent</td>
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<td>Parking</td>
<td>$ 850.00</td>
<td>Home/Renters Insurance</td>
<td>$ 50.00</td>
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<td>Federal</td>
<td>$ 300.00</td>
<td>Home Fees (Association, dues)</td>
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<td>FICA - Social Security</td>
<td>$ 70.00</td>
<td>Property Taxes</td>
<td>$ 225.00</td>
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<td>State</td>
<td>$ 150.00</td>
<td>Maintenance, landscaping</td>
<td>$ 50.00</td>
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<td>Local</td>
<td>$ 48.00</td>
<td>Utilities (gas, water, oil, electric)</td>
<td>$ 150.00</td>
<td>$ 175.00</td>
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<td>Retirement</td>
<td>$ 250.00</td>
<td>Telephone (home, cell)</td>
<td>$ 75.00</td>
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<td>Unemployment</td>
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<td>Food (groceries)</td>
<td>$ 150.00</td>
<td>$ 700.00</td>
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<td>LST (Local Service Tax)</td>
<td>$ 3.00</td>
<td>Eating out (dining, fast food, vending)</td>
<td>$ 50.00</td>
<td>Want</td>
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<td>Total Monthly Deductions</td>
<td>$ 1,820.00</td>
<td>Household Supplies</td>
<td>$ 50.00</td>
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<td>Net Take Home Income per Month</td>
<td>$ 3,180.00</td>
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<td>Child Care</td>
<td>$ 200.00</td>
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<td>Self Employment</td>
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<td>Car Payment(s)</td>
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<td>Part-time Employment</td>
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<td>Car Expense, gas, repair, maintenance</td>
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<td>Alimony/ Child Support</td>
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<td>Auto Insurance</td>
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<td>Dividends/ Interest</td>
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<td>Entertainment (Netflix, outings)</td>
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<td>Real Estate</td>
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<td>Vacation &amp; Short Trips</td>
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<td>Tax Refund</td>
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<td>Credit Card Payment(s)</td>
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<td>Extraordinary Income</td>
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<td>Student Loan Payment(s)</td>
<td>$ 100.00</td>
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<td>Grants/Prizes</td>
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<td>Bank Loan Payment(s)</td>
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<td>Inheritance</td>
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<td>Medical/Dental Copay</td>
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<td>Social Security Benefits</td>
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<td>Medication/Prescription (out of pocket)</td>
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<td>Disability Benefits</td>
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<td>Personal items</td>
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<td>Retirement Benefits</td>
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<td>Pet Expense (medical, grooming, food)</td>
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<td>Survivor Benefits</td>
<td>-</td>
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<td>Other:</td>
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<tr>
<td>Total Monthly Income (Cash In)</td>
<td>$ 3,180.00</td>
<td>-</td>
<td>Total Monthly Expenses (Cash Out)</td>
<td>$ 2,948.00</td>
<td>$ 3,150.00</td>
<td>Need</td>
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</table>
Steps to financial success

Save for the future
• Utilize company savings plans
• Use automatic payroll deductions or contributions

“Don’t save what is left after spending; spend what is left after saving.”
–Warren Buffet
“Failing to plan is planning to fail.”

- Ben Franklin
- Winston Churchill
- Eleanor Roosevelt
"It takes as much energy to wish as it does to plan."

–Eleanor Roosevelt
Compound interest

“The eighth wonder of the world.” – Albert Einstein

You have a choice:
• $1 million dollars today
• One penny, doubled each day for one month
  Each day would double the amount from the previous day.
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<th>DAY</th>
<th>AMOUNT</th>
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<td>8</td>
<td>$1.28</td>
<td>19</td>
<td>$2,621.44</td>
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<td>$5,368,709.12</td>
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<td>9</td>
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<td>20</td>
<td>$5,242.88</td>
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<td>21</td>
<td>$10,485.76</td>
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<td>11</td>
<td>$10.24</td>
<td>22</td>
<td>$20,971.52</td>
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</table>
Time is powerful

- Have a long-term view of investing
- Use time to your advantage - **Invest Early!**

**Age 25–35**

- **Investor #1**
  - $30,000 Contribution

**Age 35–65**

- **Investor #2**
  - $90,000 Contribution

$351,211

$304,993

- Assumes 7% annual return. This is a hypothetical illustration and is not intended to represent past or performance of any of the investment options available.
Any questions?

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