Personal Finance In the World of COVID-19

April 21, 2020

A partnership of the Sokolov-Miller Family Financial & Life Skills Center and the Penn State Alumni Association
### Penn State Sokolov-Miller Family Financial Literacy & Life Skills Center

**Mission:**
Provide students with the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial wellbeing.

**Contact:**
Finlit@psu.edu  
Financialliteracy.psu.edu

### Penn State Alumni Association Alumni Career Services

**Mission:**
No matter your profession or stage of career, the Alumni Career Services Team is here to help! Located on the University Park campus, this Team provides its career-focused services to Penn State Alumni all over the world.

**Contact:**
AlumniCareer@psu.edu  
psulionlink.peoplegrove.com

**Poll:** menti.com  
Code: 935352
Today’s Agenda

- Introductions & Overview
- Investing & Market Fundamentals
- Budgeting & Spending
- Knowing Your Benefits
- Open Q&A

Poll: menti.com
Code: 935352
Today’s Presenters

Daad Rizk
Director, Sokolov-Miller Family Financial & Life Skills Center

Anand Ganjam ‘15 Bus Management Consultant Boston, MA

Kyle Shoop ’14 Bus Wealth Management Consultant New York, NY

The views and information shared in this presentation do not necessarily represent Penn State or the Alumni Association’s views or position on this topic. Penn State is providing a forum for students and alumni to express views and exchange ideas. Each speaker is sharing his or her personal experience and does not intend to act as an expert in the subject matter discussed. If you need immediate assistance regarding the topic discussed, please contact a financial professional. Information provided about benefits and legislation are subject to change.
#1 TIP

DON’T PANIC DURING A CRISIS

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Why Investing Matters: 3 Stories

Starting earlier means you don’t have to contribute as much

At Age 65:
All have $1 million… but Old Coalie had to save more than 2x as much as Nittany Lion!

Nittany Lion
The Lion starts at 21 and saves $370/month until age 65 (~$200k total)

Evan Pugh
Evan Pugh starts at 31 and saves $700/month until age 65 (~$300k total)

Old Coalie
Old Coalie starts at 41 and saves $1,425/month until age 65 (~$425k total)

Assumes 6% Return per Year

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Why Invest?

Investing not only gives you a future return, but it allows you to prevent the value of your savings from deteriorating due to inflation.

Investing vs. Mattress (Over 20 Years)

*Assumes 2% annual inflation, 8% pre-inflation annual investment returns (6% real return)
Types of Investments

A **Stock** is a share in the ownership of one company

A **Bond** is a specific agreement to be repaid at a defined rate (by a company or the government)

A **Mutual Fund** invests in many different stocks, bonds and other securities

**Examples:**

- MSFT
- DIS
- AAPL

**Example:**

- VIGIX
  - Vanguard Growth Index Fund
  - MSFT
  - DIS
  - WMT
  - AAPL
  - etc.
Historical Perspective

Throughout history, the markets have risen more than they have declined.

**Bull Market:** The market is on the rise and economy is sound.

**Bear Market:** The market is experiencing a prolonged price decline.

Source: https://www.ftportfolios.com/Common/ContentFileLoader.aspx?ContentGUID=4e0f0a97-8d0b-4924-92c8-628ff9bfe12d

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Predicting the Markets all the time is impossible.

From year to year, there's no telling which asset class will be the best performer – a strong argument for portfolio diversification.

**Highest Return:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Convertible Bonds</th>
<th>Real Estate</th>
<th>Large-Cap Growth</th>
<th>Small-Cap Value</th>
<th>Intermediate-Term Bonds</th>
<th>International Stocks</th>
<th>Commodities</th>
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<tbody>
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<td>2009</td>
<td>49.13%</td>
<td>28.60%</td>
<td>29.09%</td>
<td>29.65%</td>
<td>32.38%</td>
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**Lowest Return:**

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<tbody>
<tr>
<td>2009</td>
<td>1.84%</td>
<td>27.21%</td>
<td>32.00%</td>
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TIPS FOR INVESTING

1. Stay focused on your long term goals.
2. Have a plan and stick to it.
3. Diversification to reduce risk.
4. Trying to time the market is very risky.
5. Have cash for short/medium-term spending needs.
BUDGETING & SPENDING
TIPS FOR BUDGETING & SPENDING

- Build Your Emergency Fund
- Evaluate Your Spending
- Plan for Unusual Expenses
- Give an Assignment to Every Dollar
- Know Your Work / Gov. Benefits

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Saving & Spending

The #1 reason people borrow from their 401(k) is because of an emergency. This may come with penalties, taxes, fees, and lost gains.

Secure your emergency fund

- 3 to 6 months of expenses in liquid, risk-free savings
- Save in an account that you have easy access to
- Take advantage of higher interest rates on a high yield savings account

Monitor your spending

- Two ways to increase your savings:
  1. Decrease expenses
  2. Increase income
- Avoid Stress Spending

For more resources, visit: https://financialliteracy.psu.edu/budgeting/
## Considerations by Demographic

<table>
<thead>
<tr>
<th>ESSENTIALS FOR ALL INDIVIDUALS</th>
<th>CONSIDERATIONS BY DEMOGRAPHIC</th>
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</thead>
<tbody>
<tr>
<td>• <strong>Build a Budget</strong>: understand how much you are earning vs. spending each month</td>
<td><strong>Students</strong></td>
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<tr>
<td>• <strong>Build Emergency Fund</strong>: enough easily accessible money to cover 3 to 6 months of expenses</td>
<td><strong>Young Professionals</strong></td>
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<tr>
<td>• <strong>Reduce Spending</strong>: cut down on unnecessary expenses where possible</td>
<td><strong>Retirees</strong></td>
</tr>
<tr>
<td>• <strong>Know Your Benefits</strong>: read up on your company, community, and government benefits</td>
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</tbody>
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### ESSENTIALS FOR ALL INDIVIDUALS

- **Learn About Investing**
  - This is a great time to learn the basics of investing and how it can be an important life tool
  - **Start Investing!**
    - Consider investing extra money from your part-time job or internship (after you have an Emergency Fund of course!)

- **Start Paying Off Debt**
  - If possible, start paying off student, credit cards or auto loans
  - **Start Contributing to Retirement Plans**
    - If your company offers a 401(k), consider contributing. Some companies offer a match – that is essentially free money!

- **Have a Plan and Stick to It!**
  - Understand your spending goals and lifestyle needs for your retirement, and ensure you are following your plan to achieve those goals and needs.
  - **Align Investments with Your Risk Tolerance**
    - Make sure that you understand how much risk you are willing to take with your money, and have allocations that reflect that risk (e.g., if you have low risk tolerance, focus on bonds)

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BENEFITS & RESOURCES
# Know Your Benefits!

## Company / Organization Benefits
- 401(k) Match
- Child-care Services
- Financial Advising
- Healthcare services (e.g. mental health, paid sick-leave)
- Employee Stock Purchase Plans
- Internal working groups (open discussion sessions, peer support networks)

## Community Benefits
- Rent / Utilities Relief
- Food Banks
- Community Housing Shelters
- Local Resource Guides
- Virtual Career / Unemployment Sessions

## Government Benefits
- Up to $1200 + $500 / child 16 or under (depends on income; set up direct deposit to accelerate payments; students will not receive funds if claimed as dependent)
- See next slide for additional benefits

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[Logo: PennState Alumni Association]
RECENT DEVELOPMENTS

U.S. LEGISLATION

- TAX FILING EXTENDED TO JULY 15
- DIRECT PAYMENTS TO TAXPAYERS
- UPDATES TO FED. STUDENT LOANS
- UPDATES TO 401(K) WITHDRAWAL RULES
- LOANS TO SMALL BUSINESSES
Penn State Resources

**Personal Finance**
- Self-study Modules: https://financialliteracy.psu.edu/self-study-modules/
- Mentoring Program: https://financialliteracy.psu.edu/mentoring-program/
- Students Only: 1:1 Personal Finance Appointments https://financialliteracy.psu.edu/

**Career Services**
- LionLink: https://psulionlink.peoplegrove.com/
- Alumni Job Search Tune Up: https://engage.tassl.com/group/4387/
- Nittany Lion Careers: https://nittanylioncareers.psu.edu/

This presentation and webinar will be posted at:
https://psulionlink.peoplegrove.com/hub/lionlink/resources/webinar-resources

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Other Resources

Investing

Brokers (places that let you buy investments such as stock, bonds, mutual funds, ETFs):
- Robinhood for “free” stock trading (startup)
- Vanguard for low-expense ETFs and index funds
- Fidelity for more offerings/research
- And many, many more…

Investing-Related Fintech Startups
- SigFig to track portfolios across several brokers for free
- Betterment, WealthFront, and Wise Banyan for robo-advising, easy investment
- Acorns for automatically investing spare change

Use NerdWallet to help you compare and select a broker for your investments or IRA. (this is just a small sampling)

Check out JP Morgan’s “Guide to Retirement” for some more useful information on retirement saving

Budgeting

- NerdWallet for comparing credit cards
- Mint and Personal Capital for tracking expenses and personal budget
- CreditKarma to check your credit score and learn what might affect it
- CommonBond for MBA students at select schools (and refinancing for other loans)
- SoFi for student loan refinancing

This presentation can be accessed at:
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The resources above are simply a listing of services and are not formally recommended or sponsored in any way by the Pennsylvania State University or the Penn State Alumni Association
Additional Resources

Unemployment Insurance: https://www.dol.gov/coronavirus/unemployment-insurance

Student Aid: https://studentaid.gov/announcements-events/coronavirus#student-questions


PSECU Resources:

• https://www.psecu.com/learn/financial-tips-for-every-stage-in-life/2017/06/22/inexpensive-meals-for-large-families
• https://www.psecu.com/learn/wallet-works/2019/12/03/alternative-gifts-for-kids
• https://www.psecu.com/learn/financial-tips-for-every-stage-in-life/2019/06/25/5-summer-diy-ideas-for-your-family
• https://www.psecu.com/learn/financial-tips-for-every-stage-in-life/2017/04/05/10-ways-to-make-money-fast
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CODE: 31433
Acknowledgements

Thank you to the following groups for providing content and support for this session.

- Sokolov-Miller Family Financial and Life Skills Center
- PennState Alumni Association
- WEALTH CREATION
  Accenture
  Community of Practice
Investments, Age, & Risk

General Principle (but depends on your goals / situation!)

When you are young, consider investing more in stocks (more volatility, higher growth over long-term)

As you get closer to retirement, consider moving more to bonds/fixed income (more stability, lower long-term growth)

Source: Vanguard.

*Target date is the year stated in the fund name and assumes retirement at age 65.