

**TODAY**

**THE NEXT 6 MONTHS**

**THE NEXT 12 MONTHS**

**2 YEARS AFTER GRADUATION**

**3 YEARS AFTER GRADUATION**

**ONCE EVERY SEMESTER:  
TRACK EVERY PENNY  
THAT YOU SPEND &  
TRACK EVERY PENNY  
THAT YOU EARN**

**IN THE NEXT 3 MONTHS:  
IDENTIFY WAYS TO  
DECREASE YOUR  
DISCRETIONARY  
SPENDING BY 25%**

**IN THE NEXT 6 MONTHS:  
MAKE A PLAN TO  
MANAGE – AND PAY OFF  
– YOUR DEBT**

**IN THE NEXT 6-12  
MONTHS:  
OPEN MULTIPLE  
SAVINGS ACCOUNTS, 1  
FOR EACH GOAL**

**IN THE NEXT 12 MONTHS,  
OPEN AN IRA OR ROTH IRA**

**WITHIN 2 YEARS OF  
GRADUATION:  
HAVE AN “EMERGENCY  
FUND” ACCOUNT, WITH 3-6  
MONTHS OF NON-  
DISCRETIONARY EXPENSES**

**WITHIN 3 YEARS OF  
GRADUATION:  
ELIMINATE ALL OF YOUR BAD  
DEBT.**



# One Rule About BUDGETING

**Budgeting is philosophically very easy but practically very difficult because there is just one basic rule that applies to Budgeting:**

***Spend less than you earn.***

- Of course, this is much easier said than done...Especially for students with limited income and fixed expenses.
- If you spend more than you earn, you have to make up the difference somehow - student loans, credit cards, savings.
  - And this borrowing will set your goals back when it comes time to repay this borrowing. You are borrowing from your future.



## How Do You Succeed at Budgeting

- Be intentional. Know what you're spending. Know what your income is.
- Look in the mirror. Analyze yourself.
  - This can be painful. You may see some habits you do not like. But recognizing those habits is the first step to correcting them.
- Think both short-term and long-term.
  - At its core, budgeting is about balancing monthly income and expenses.
  - But, be sure to connect your income and expenses to your long-term goals.
- When I was in college and in grad school, my priority was my degree. I ate more Top Ramen than any human should ever eat (including every night for a month, as part of a bet). To me, this was a choice and a habit that was critical to fulfilling my goal – my degree.



## How Do You Succeed at Budgeting

*I do not want all of my life to  
be controlled by a budget.*

*I simply want my budget to be functional.*

~ Quote from one of your student colleagues last summer



## How Do You Succeed at Budgeting

*I simply want my budget to be functional.*

- You want a budget to be a guide, not a rulebook.
- You want a budget that is designed for you and nobody else.
- You want to identify what is most important to you.
  - Yes, you may have to change behavior and make sacrifices – so make sure you are only sacrificing those expenses or parts of your financial life that are least important to you.



# How Do You Succeed at Budgeting

*I simply want my budget to be functional.*

- You want a budget to be a guide, not a rulebook.
- You want a budget that is designed for you and nobody else.
- You want to identify what is most important to you.
  - Yes, you may have to change behavior and make sacrifices – so make sure you are financial life that are least important to you.

You can download them from the MCOBA website, search for “Personal Financial Planning.”  
Or you can email me and I will send them to you.



MONTHLY BUDGET	EXAMPLE	THIS MONTH
<b>INCOME</b>		
Job #1 -	\$ 1,200.00	
Job #2 -	250.00	
Job #2 -	100.00	
Other -	50.00	
Other -	-	
Other -	-	
<b>TOTAL INCOME</b>	<b>\$ 1,600.00</b>	
<b>EXPENSES</b>		
Savings - General	\$ 50.00	
Savings - New Car, in 2023	125.00	
Savings - New House, in 2026	250.00	
Rent or Housing	400.00	
School - Tuition & Fees	150.00	
School Supplies	50.00	
Phone Bill	100.00	
Insurance - Car	100.00	
Insurance - Home	25.00	
Insurance - Health	-	
Food - Grocery	200.00	
Food - Restaurants	50.00	



MONTHLY BUDGET	THIS MONTH	THIS YEAR	2 YEARS FROM NOW	5 YEARS FROM NOW	10 YEARS FROM NOW
<b>INCOME</b>					
Job #1 -					
Job #2 -					
Job #2 -					
Other -					
Other -					
Other -					
<b>TOTAL INCOME</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENSES</b>					
Savings					
Rent or Housing					
School - Tuition & Fees					
School Supplies					
Phone Bill					
Insurance - Car					
Insurance - Home					
Insurance - Health					
Food - Grocery					
Food - Restaurants					
Coffee					
Subscription #1					
Subscription #2					
Subscription #3					
Clothing & Shoes					
Entertainment (music, movies)					
Gym, Yoga, Fitness					
Other -					
Other -					
Other -					
<b>TOTAL EXPENSES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET CASH FLOW or ADDITIONAL SAVINGS</b> (in additional to any Savings you have itemized above)	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# Owning Your Financial Future

*How many of these could you do over the next 3 months?*

Move to a better bank account

Give up your television

Give up a subscription

Sign up for free customer loyalty programs

Always make a shopping list

Stop eating out

Shop at a thrift store

Shop at a yard sale

Stop buying new video games

Cut your coffee purchases in half

Drink more water

Avoid convenience stores

Avoid fast food

Avoid alcohol

Quit smoking

Buy food and staples in bulk

Make a gift for friend or family member

No online purchases

Cancel unused memberships

Share your dreams with a close friend

Shop for new car insurance

Spend your free time volunteering

Avoid the mall

Only walk to places within 1 mile

Cancel magazine subscriptions

Eat breakfast

Eat leftovers

Bring your lunch to work or school

Only go to free entertainment events

Take public transportation

Carpool

Pack food for road trips

Eliminate cell phone services

Eliminate cable services

Spend 10 hours a week at the library

Learn about employee offers at work

Only drive within 3 MPH of the speed limit

Drive a different route to work

Eat less meat

Use coupons

Exercise more

Pay bills online through your bank



**Focus on habits, not just dollars.**

**While you're in college, many of these ideas may not help you – such as eating leftovers. But if you develop the mindset now, the benefits will grow and compound and lead to real dollar savings (or income) when you are on your own and paying for your own meals.**

## Five Budgeting Models

### ZERO-BASED BUDGETING

- Start with your total income, either actual or expected.
- Then allocate every single dollar to some purpose.
  - Essential expenses such as rent, food and phone are easy.
  - Include savings, debt repayment, insurance and investments.
- Your Net Cash Flow – or Income minus Expenses – will always be \$0.00 because every penny has been assigned to a specific expense or purpose.



## Five Budgeting Models

### THE ENVELOPE METHOD

- Identify your main expense categories – food, bills, entertainment, rent, and others.
- Pretend that you put money for each category into its own envelope. If it helps, actually put the cash for each category into an envelope.
- The amount that each category has in its envelope is the maximum you can spend for each category during each period.
- You cannot spend more than what's in an envelope. Once an envelope is empty, you cannot spend any more on that category.
- If you spend less than what's in an envelope, you cannot move or loan funds to another envelope.
- If you have money left in any envelopes at the end of the month, put it into savings. Do not carry it over to the next month.





## Five Budgeting Models

### 50 / 30 / 20 METHOD

- This is similar to the Envelope Method but with broader categories.
- Allocate 50% of your income to “needs.”
- Allocate 30% of your income to “wants.”
- Allocate 20% of your income to savings and debt repayment.
- This may be a difficult method while you’re still in school and income is low, but it can be a great method after you graduate to take you through your 20s.



## Five Budgeting Models

### PAY YOURSELF FIRST

- This is essentially a reverse budget – where the first item you consider is savings.
- Pick a number that you want to save each month – and then as soon as you get paid, move that amount into your savings account or into investments....pay your future self first.
- Then you can apply one of the other methods for the balance of your budget.
  - You could employ a 20 / 50 / 30 budget, where you start with the 20% being moved to savings, then budgeting for needs and wants.
  - You could move all non-savings funds into their own envelopes – then, at the end of the month, with any remaining cash in envelopes, move that to savings. You may end up moving money to savings twice each month – which is great.
  - You could create a zero-based budget on top of your savings. Again, you might have one line-item devoted to savings here, too, and you could end up saving twice.

## Five Budgeting Models

### THE VALUES-BASED BUDGET

- You first allocate a portion to your essentials: food, rent, phone.
- Then you allocate your income to different values that are important to you: charity, family, friends, health, education, well-being, your future and others.
- This could be coupled with the Envelope, Zero-Based or 50 / 30 / 20 methods, such that your values define the categories. Your values become both “needs” and “wants.”
- Be sure to include “your future” as a value – that’s where you’ll do your saving to help you meet your personal and financial goals.



## Five Budgeting Models

### *Which Budget Model is Best For You?*

Only you can answer that.

Budgeting is more of a mental game than a financial process.  
You need to select the approach that:

- (1) Gives you the least stress and the most confidence;
- (2) Best aligns with your short- and long-term goals.

In practice, most people combine different models to best suit  
what they are most comfortable with.

(I personally pay myself first and then use a zero-based approach)  
(And then, if I can, I pay myself last, too)





## Developing A Budgeting Mindset

**Some exercises to help you develop a budgeting mindset.**

- Track all of your income and expenses – every penny – over an extended period of time (say, 1-2 months).
- Write down the last 15 things you spent money on.
- Write down the next 15 things you want to spend money on.
- Identify your 10 biggest expenses over the past 12 months.
- Predict every dollar of income you will earn over the next 12 months.
- Predict what your income will be for each of the next 5 years.



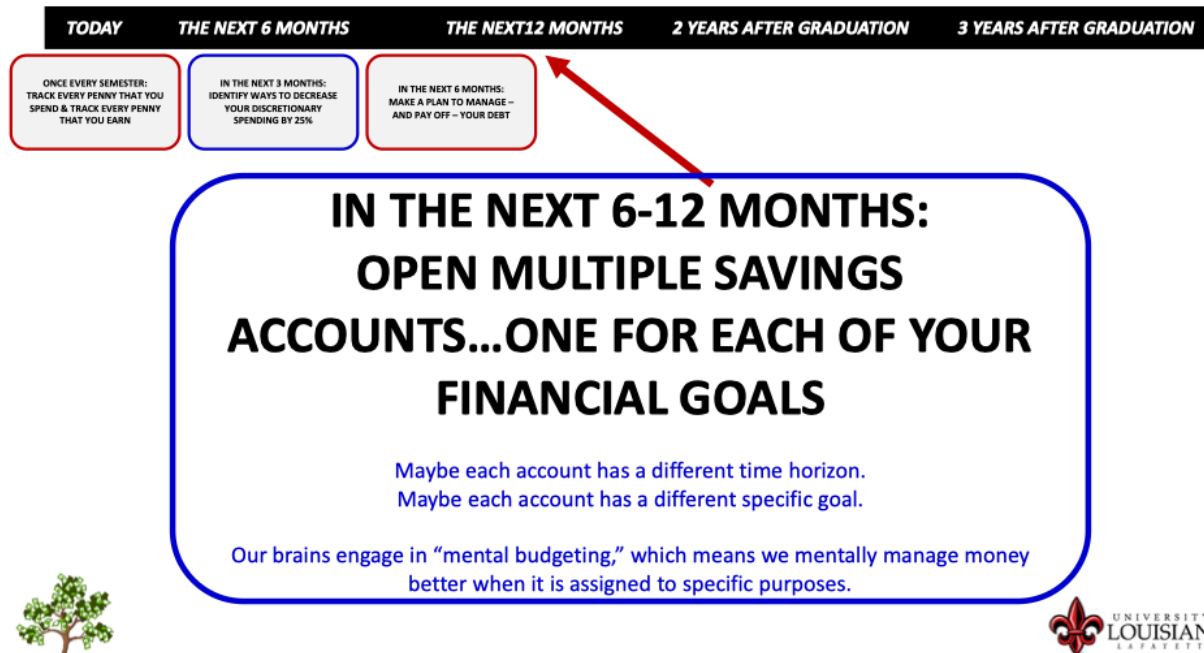
## Developing A Budgeting Mindset

**Some exercises to help you develop a budgeting mindset**

**What is the purpose of this self-analysis?**

**To ensure that your spending is aligned with your income.  
To ensure that your spending and income are part of your plan.  
To ensure your budget is driven by wants & needs, and not  
driven by impulses.  
To be intentional.**





TODAY	THE NEXT 6 MONTHS	THE NEXT 12 MONTHS	2 YEARS AFTER GRADUATION	3 YEARS AFTER GRADUATION
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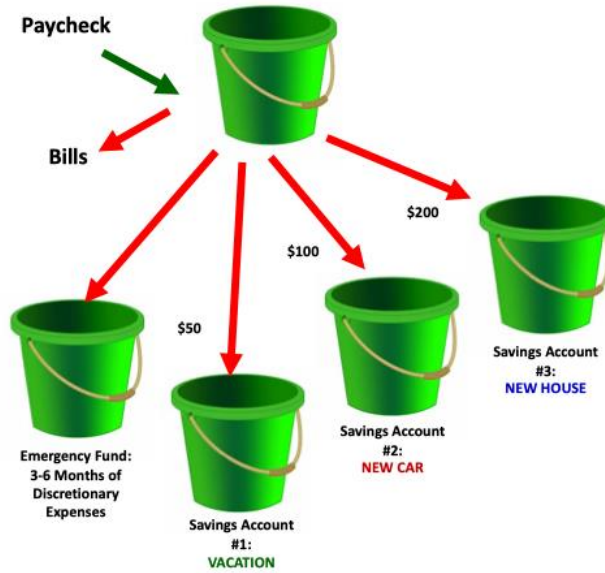
***What is a useful way to use different accounts to achieve different goals?***

***Me? I have 6 bank and investing accounts.***

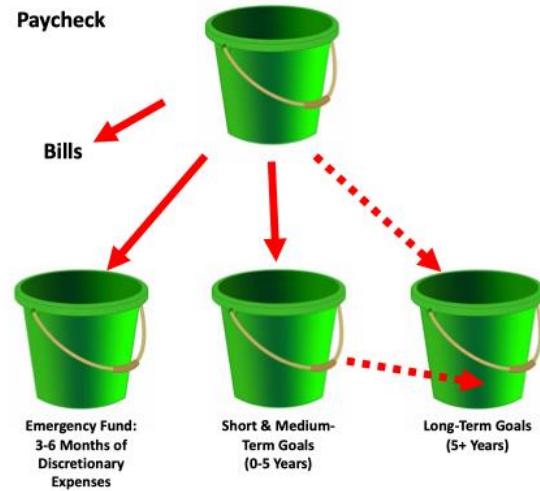
1. A basic checking & transactions account. My paycheck is deposited here. And all bills are paid out of this account.
2. 2 savings accounts...1 as my Emergency Fund for short-term crises and 1 as my saving for short-to-medium term goals, such as a new car or vacation.
3. An investment account. This is dedicated to long term goals, such as buying a house, children's education or even retirement.
4. And 2 retirement accounts: 1 through work and 1 that I manage outside of my work retirement account.



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**What is a useful way to use different accounts to achieve different goals?**

***I have 6 bank and investing accounts.***

***Why does this work for me?***

Research has found that humans engage in “mental budgeting.”

Imagine that you have \$10,000.

You might manage (or spend) this \$10,000 differently if you have it one account for “My Money” versus having \$2,000 in a checking account + \$8,000 in different savings & investment accounts.



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***Why does this work?***

- Because it allows me to align different goals with different accounts.

Checking &  
Transaction Account



No risk,  
0.0% return,  
all cash

Short-to-Medium  
Term Goals



Some risk,  
0-3% return goals,  
cash + savings

Long-Term  
Goals



Some Risk,  
3-7% return goals,  
savings +  
investments

Retirement  
Accounts



Lots of risk,  
8-12% return goals,  
all investments





## IN THE NEXT 6 MONTHS: MAKE A PLAN TO MANAGE – AND PAY OFF – YOUR DEBT

WHICH DEBT IS YOUR WORST DEBT?  
HIGH INTEREST RATE? HIGH FEES? OPPRESSIVE TERMS?  
CAN YOU GET RID OF THIS DURING SCHOOL?

Which debt is more flexible?  
How will you pay it off over the next 5-10 years?



## WITHIN 3 YEARS OF GRADUATION: ELIMINATE ALL OF YOUR BAD DEBT.

EARNING 10% ON YOUR INVESTMENTS IF YOU ARE PAYING 19.99% ON A CREDIT CARD.  
ELIMINATING HIGH-COST AND HIGH-FEE DEBT IS THE BEST BUDGET HACK POSSIBLE.

And begin working towards executing your overall debt plan. Do not be in a hurry to pay off  
your good & manageable debt. Simply having control over it will give you peace of mind.



## WHAT IS DEBT

***Debt is borrowing from YOUR future.***

- We borrow because we want something today that we cannot afford today.
- We make a promise to pay for that something in the future.
- The entity we borrow from wants to make money. They are not our friends.
- We have to pay them helping us get what we want today.
  - At a minimum, we pay them interest on our debt.
  - Depending on the type of debt, we may have to pay them much more (fees, collateral, earnings, control, etc.)



## WHAT IS DEBT

***Debt is borrowing from YOUR future.***

***If your debt is keeping you up at night...***

***If your debt is preventing you from achieving your goals...***

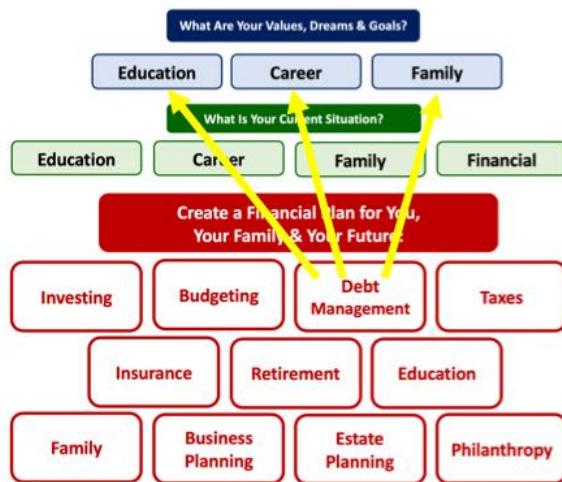
***If your debt is damaging your relationships...***

***...Then you may have too much debt.***

*(we will return to this issue later)*







***Debt is NOT a bad thing.***

***My one primary piece of advice:***

***Whenever borrow money – whether it's \$20 for a Friday night pizza on your credit card or a \$10,000 student loan – have a plan for paying it back.***

***Know why you are borrowing and where you will get the money to repay it.***



## ← Good Debt vs. Bad Debt →

***NOTE:***

***Using a credit card is not necessarily a bad idea.  
Only racking up loads of credit card debt is a bad idea.***

***I regularly use 3 credit cards.  
Here's how and here's why...***



# Credits Cards as Tools for Financial Planning

## WHY DO I DO THIS?

**Mental Budgeting:** *This helps me mentally be aware of what I'm spending and why I'm spending.*

- *Instead of just knowing that I'm putting \$1,000 on my credit cards in a month, separating the expenses across cards forces me to be aware of what I'm spending money on.*
- *When I review my statements and budgets at the end of each month, this gives me an easy opportunity to judge myself and to analyze my own behavior.*

*Card #1: Automatic bill payment of recurring monthly expenses (phone, insurance, cable, utilities)*

*Card #2: Living and discretionary expenses (gas, groceries, coffee, pizza, new shoes)*

*Card #3: Non-recurring big expenses (vacation, holidays, charity, new refrigerator)*



# Credits Cards as Tools for Financial Planning



*Card #1: Automatic bill payment of recurring monthly expenses (phone, insurance, cable, utilities)*



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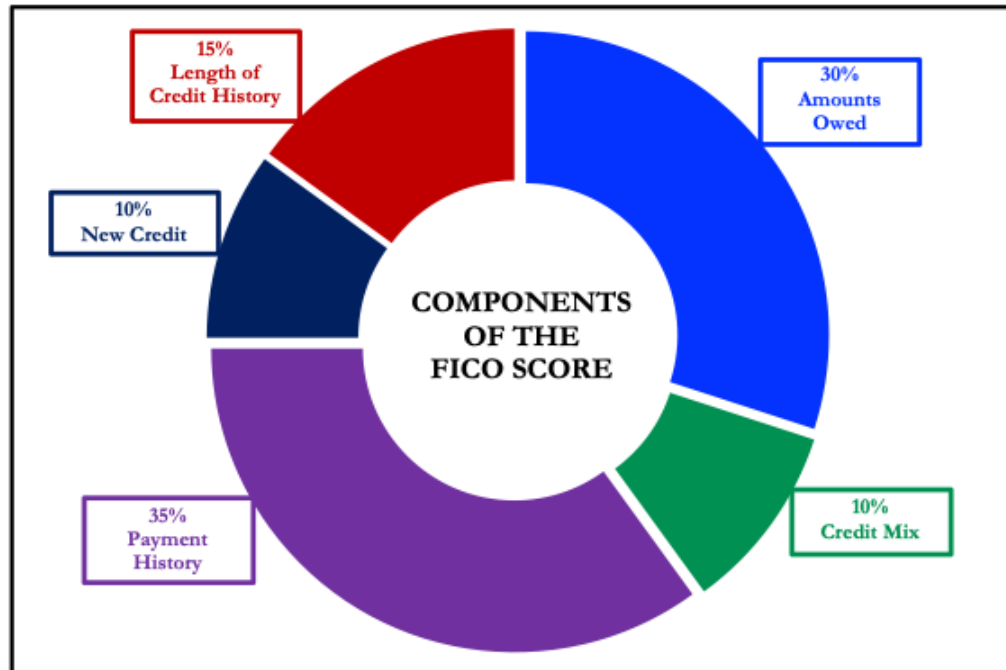


*Card #3 frequently has a \$0.00 balance*



# LET'S MAKE THIS PERSONAL...

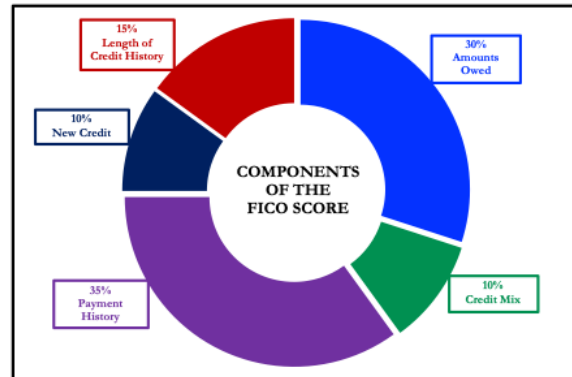
## WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?



## LET'S MAKE THIS PERSONAL...

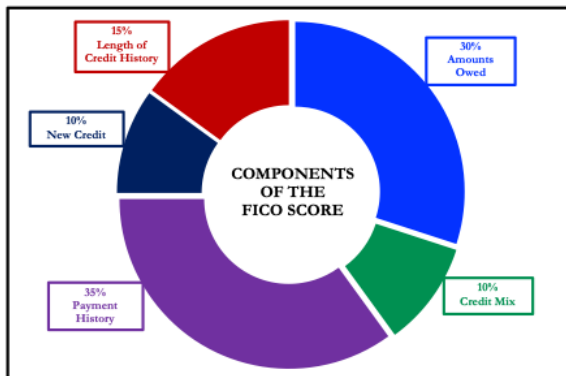
### WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?

35% Payment History – This is perhaps the simplest category, as it looks at how well you repay all borrowed amounts on credit cards, retail accounts, auto loans, utilities and phone bills, other installment loans and other debts. The better you are at repaying, the better your Payment History. Pay your bills on time.



## LET'S MAKE THIS PERSONAL...

### WHAT IMPACTS YOUR CREDIT RATING AS A CONSUMER?



30% Amounts Owed –The amount you owe is not simply about how much money you owe, but it's also about how much of your available credit you use. If you have a credit card limit of \$5,000 and your balance is \$4,000, that's worse than having a limit of \$20,000 and a balance of \$10,000. There are many trade-offs within this category and it can be confusing.

Pro-tip if you are using more than 30% of your available balance: Pay it off or down before the end of your reporting cycle and the credit agencies will never know it existed.



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**IN THE NEXT 12  
MONTHS, OPEN AN IRA  
OR ROTH IRA**

**WITHIN 2 YEARS OF  
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HAVE AN “EMERGENCY  
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## Why Should A 22-Year Old Begin Saving for Retirement?

**SAVINGS**



**INVESTING**



**OWNERSHIP**



**WEALTH**







## A Few Opening Morals

- (1) Begin investing as early as you can.*
- (2) Get comfortable taking some risks with your investing so you can earn bigger returns.*
- (3) Get comfortable playing the long game.*



## Opening a Roth IRA – Why Do It?

- Conceptually, the earlier we begin saving for retirement, the more we will benefit from compound interest when we get to retirement age.
  - If you invest \$6,000 per year from age 25 to age 60, you would have **\$1,300,000** in your account at age 60 (assuming a 9% annual return).
  - If you wait 10 years and invest \$6,000 per year from age 35 to age 60, you would have **\$500,000** in your account at age 60 (assuming a 9% annual return).



## Planning for Retirement – How to do it?

1. **A taxable-brokerage account (with Robinhood, Fidelity or some other brokerage)**
  - You contribute/invest after-tax cash flow (what is leftover from your paycheck)
  - Your investments should grow over time
  - You pay income taxes today, before investing, and then capital gains when you withdraw the money in the future
  - This is the most flexible...but has the fewest tax benefits
2. **A company-sponsored retirement plan: 401(k) or 403(b), in most cases.**
  - Your employer may match some of your contributions (= “free money”)
  - Your investments should grow over time
  - You will pay income taxes when you withdraw the money in retirement, only
  - You never pay capital gains taxes on the growth – that’s good



## Planning for Retirement – How to do it?

3. **An IRA – Individual Retirement Account, designed for people without a company sponsored retirement plan**
    - Available through Robinhood, Fidelity or most other brokerages
    - You contribute/invest **PRE-TAX** cash flow today
    - Your investments should grow over time
    - You pay income taxes in retirement
  4. **A Roth IRA**
    - Available through Robinhood, Fidelity or most other brokerages
    - You contribute/invest **AFTER-TAX** cash flow today
    - Your investments should grow over time
    - You pay income taxes today, but never again
- Roth IRAs are ideal for people with relatively low income today, who expect their income to increase in the future



## Opening a Roth IRA – The Fine Print

- But what is an IRA? Why the Roth IRA?
  - An IRA is an Individual Retirement Account.
  - You are allowed to contribute \$7,000 per year
  - An IRA has tax advantages to a regular brokerage account, in that it allows you avoid capital gains taxes
    - With a Roth IRA, you use after-tax money to invest today. The money should grow over time, but then when you withdraw the money in retirement, you do NOT pay income taxes
    - With a traditional IRA, you get a tax-deduction today for the amount that you invest. So you do not pay taxes today on that amount of income. But then you will pay income taxes when you withdraw the money in retirement.
  - The key decision is based on whether you think your tax rate will be higher today or in the future.
  - This is why we recommend a Roth IRA to graduate students: Your income tax rate is probably lower today than it will be in the future, so you want to pay taxes today and avoid taxes in the future. The Roth lets you do this.
- The bad news is that the money you put into an IRA cannot be withdrawn, unless you pay a 10% penalty, until you turn 59 ½ years old
- There is more fine print that we are skipping over here and some minor exceptions to this overview, but this should cover most of you and most situations.



## Opening a Roth IRA – A Checklist

1. Research – and pick – a brokerage or financial institution to use.
  - Functionally & legally, as far as managing your account and investments, they are going to be similar.
  - However, the user interfaces will be different...including how you use the account and resources available. That's the decision – which interface do you like best.
  - And, some brokerages may not offer certain types of accounts.
  - Robinhood, Fidelity, Charles Schwab, JP Morgan Chase, Bank of America, TD Ameritrade and many others are all good.
2. Establish and open your Roth IRA account.
  - This will require your Social Security number and other personal information, but not too much. It should take 5-10 minutes.
3. Fund your Roth IRA account.
  - Link a bank account to your Roth IRA to allow online transfers. It may take 1-2 weeks initially to get the money transferred as the Roth IRA account verifies your bank accounts.
  - Your brokerage may allow wire transfers for a fee, but the initial transfer may still take 1-2 weeks
  - You may be able to upload an electronic copy of a personal check to deposit funds into your Roth IRA account.
  - You may be able to go old school and visit a branch of your brokerage to do everything in person.
4. Begin investing and saving for your retirement.



### How Much Will You Have By Saving or Investing Annually for 20 Years?

		Savings Amount per Year				
		\$1,000	\$2,000	\$3,000	\$4,000	\$5,000
Interest Rate on Savings or Rate of Return on Investments	1%	\$22,019	\$44,038	\$66,057	\$88,076	\$110,095
	2%	\$24,297	\$48,595	\$72,892	\$97,189	\$121,487
	3%	\$26,870	\$53,741	\$80,611	\$107,481	\$134,352
	4%	\$29,778	\$59,556	\$89,334	\$119,112	\$148,890
	5%	\$33,066	\$66,132	\$99,198	\$132,264	\$165,330
	6%	\$36,786	\$73,571	\$110,357	\$147,142	\$183,928
	7%	\$40,995	\$81,991	\$122,986	\$163,982	\$204,977
	8%	\$45,762	\$91,524	\$137,286	\$183,048	\$228,810
	9%	\$51,160	\$102,320	\$153,480	\$204,640	\$255,801
	10%	\$57,275	\$114,550	\$171,825	\$229,100	\$286,375
	11%	\$64,203	\$128,406	\$192,608	\$256,811	\$321,014
	12%	\$72,052	\$144,105	\$216,157	\$288,210	\$360,262
	13%	\$80,947	\$161,894	\$242,840	\$323,787	\$404,734
	14%	\$91,025	\$182,050	\$273,075	\$364,100	\$455,125
	15%	\$102,444	\$204,887	\$307,331	\$409,774	\$512,218

### How Much Will You Have By Saving or Investing Annually for 40 Years?

		Savings Amount per Year				
		\$1,000	\$2,000	\$3,000	\$4,000	\$5,000
Interest Rate on Savings or Rate of Return on Investments	1%	\$48,886	\$97,773	\$146,659	\$195,545	\$244,432
	2%	\$60,402	\$120,804	\$181,206	\$241,608	\$302,010
	3%	\$75,401	\$150,803	\$226,204	\$301,605	\$377,006
	4%	\$95,026	\$190,051	\$285,077	\$380,102	\$475,128
	5%	\$120,800	\$241,600	\$362,399	\$483,199	\$603,999
	6%	\$154,762	\$309,524	\$464,286	\$619,048	\$773,810
	7%	\$199,635	\$399,270	\$598,905	\$798,540	\$998,176
	8%	\$259,057	\$518,113	\$777,170	\$1,036,226	\$1,295,283
	9%	\$337,882	\$675,765	\$1,013,647	\$1,351,530	\$1,689,412
	10%	\$442,593	\$885,185	\$1,327,778	\$1,770,370	\$2,212,963
	11%	\$581,826	\$1,163,652	\$1,745,478	\$2,327,304	\$2,909,130
	12%	\$767,091	\$1,534,183	\$2,301,274	\$3,068,366	\$3,835,457
	13%	\$1,013,704	\$2,027,408	\$3,041,113	\$4,054,817	\$5,068,521
	14%	\$1,342,025	\$2,684,050	\$4,026,075	\$5,368,100	\$6,710,125
	15%	\$1,779,090	\$3,558,181	\$5,337,271	\$7,116,361	\$8,895,452

## I DO NOT GIVE INVESTMENT ADVICE

- But here are some investment issues to think about:
- Do you want to pick individual stocks (or other securities) and monitor them regularly?
  - This can help you feel more control, more connection and more personal interest in your investments.
  - Advantages: Potential for big gains, maybe a personal connection to the companies, you feel more engaged with the process.
  - Disadvantages: Potential for big losses, requires more time and energy, transaction costs (trading, taxes) can add up, there are 1000s to choose from, potential loss of sleep and hair.



## I DO NOT GIVE INVESTMENT ADVICE

- But here are some investment issues to think about:
- Or, would you be content investing in mutual funds and/or market indexes that pool dozens or hundreds of stocks?
  - Advantages: Potential for moderate gains, lower risk (through diversification), lower trading and tax costs, you can narrow down the selection pretty quickly, less loss of sleep and hair
  - Disadvantages: Lots of singles and doubles but no home runs, no emotional connection to your investments, susceptible to big market downturns (but not necessarily more than individual stocks)



## I DO NOT GIVE INVESTMENT ADVICE

- If you want to invest in individual stocks, I cannot help you.
- But if you are interested in market indexes, here are some ideas:
  - SPY – The S&P 500 index. 500 of the largest U.S. firms, from all industries.
  - SPYD – The same as above, with a focus on those companies that pay regular dividends out to investors from their earnings. You will get more income, but possibly lower long-term capital gains.
  - IWM – The Russell 2000. 2000 smaller U.S. firms (the 2000 firms after the 1000 largest firms). More volatility, possibly higher returns.
  - EFA – Index of non-US firms (Europe, Far East, Australasia). Big firms.
  - EEM – Index of non-US, emerging market stocks. Bigger firms in developing countries. More risk than any of the above.
  - GBTC – A Bitcoin index. Invest in Bitcoin without mining or owning. Big Risk.



## Investing – How Do You Do It?

- When you're just getting started with investing, there are a few approaches you can take:
  1. Start with a small amount of money – whether that's \$20 or \$2,000 – and just go for it. Pick a few investments, track them regularly and be prepared to buy more or sell more should you feel comfortable doing either.





## Investing – How Do You Do It?

- When you're just getting started with investing, there are a few approaches you can take:
2. Determine how much you have to invest.
    - Put  $\frac{1}{2}$  of that into an index fund or a specific mutual fund. This will provide some security, generally with less or moderate risk.
    - Put the other  $\frac{1}{2}$  into individual stocks or securities that intrigue you. If you're interested in the companies, you might be more likely to follow them as investments.
    - This half-half approach will help you figure out what kind of investor you are. In 1-2 years, you might gravitate more to either of the approaches that interest you more.



## Investing – How Do You Do It?

- When you're just getting started with investing, there are a few approaches you can take:
3. Talk to a financial advisor. Note that they generally do not (initially) tell you which specific investments to make, but they will work talk through your options with you and help you better understand what you're getting into.
    - They will ask you 2 questions – what are your goals and what is your risk tolerance – and then work with you to find the investments that best align with your answers to these questions.



## Your INVESTMENT POLICY STATEMENT

- An Investment Policy Statement is your personal investing roadmap and strategy.
- It includes a holistic perspective on what your investing goals are and what your investing preferences are.
  - It does not include specific details, like your income or stocks you own or want to buy. It's focused on big-picture strategy, not on execution.
- It is about you, your family and your preference.
- We want you to be able to use this today and after you graduate and your income (hopefully) increases.
- We want you to be able to share this with your family or with a financial advisor who might be able to help you execute your strategy.
- Even if you do not have the excess money to invest today, thinking about these issues today can help you be prepared for making such decisions when you are capable.



## Your INVESTMENT POLICY STATEMENT

- An Investment Policy Statement is your personal investing roadmap and strategy.
- It includes the following information:
  - Some brief personal information, about you and your situation
  - Your risk tolerance
  - Your investing goals
  - Your tax, liquidity and income preferences
  - How you want to handle your investments
  - How you want to allocate your investments across different asset classes (stocks vs. bonds)
  - Any other personal or situational issues that may impact your ability to invest or your investment strategy



## CREATING YOUR OWN INVESTING ROADMAP

### Personal Characteristics

Age:

Family – Spouse? Partner? Children? Parents?:

Other:

### What are your Top 3 investing goals?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

### When do you want to begin investing?

- |  |   |
|--|---|
| <input type="checkbox"/> Immediately               | <input type="checkbox"/> Within the next 3 months |
| <input type="checkbox"/> Within the next 12 months | <input type="checkbox"/> Within the next 3 years  |

### What is your investing timeframe? Select all that apply.

*(Your investing timeframe refers to when you will sell your investments to use your cash.)*

- |   |                                     |
|---|-------------------------------------|
| <input type="checkbox"/> Less than 1 year | <input type="checkbox"/> 1-3 years  |
| <input type="checkbox"/> 3-5 years        | <input type="checkbox"/> 5-10 years |
| <input type="checkbox"/> 10-15 years      | <input type="checkbox"/> Retirement |

### What is your risk tolerance?

- ☐ Very low. I never want to have any investment losses.
- ☐ Low. I can have some small, temporary losses if it leads to bigger gains.
- ☐ Moderate. I am okay with a mix of different risks in my portfolio.
- ☐ High. My goal is long-term capital gains and losses may come with that goal.
- ☐ Very high. Life is one big casino and I want my investments to reflect that.

### What are your tax preferences or goals?

*(Reminder: Almost all income is taxed in the U.S., so you can only avoid taxes if you avoid income.)*  
*(Another reminder: ordinary income taxes are higher than capital gains taxes for all taxpayers.)*

- ☐ I want to avoid ordinary income taxes on my investments.
- ☐ I am okay with a balance of ordinary income and capital gains taxes.
- ☐ I am okay with ordinary income taxes if it means I have higher income.
- ☐ I want to defer all tax payments as long as possible.

### What income needs do you have from your investments?

- ☐ I rely on my investments to provide some regular income (quarterly or annually).
- ☐ I want a balance of regular income and capital gains from my investments.
- ☐ I do not want income from my investment. My focus is long-term capital growth.

### What liquidity needs do you have from your investments?

*(Liquidity refers to how quickly you can turn your investments into cash, without suffering large losses.)*

- ☐ None. Once I invest, I assume the money is untouchable.
- ☐ Some. I do like flexibility, so maybe 20-40% of my portfolio should be liquid.
- ☐ Lots. I need at least 50% of my portfolio to be liquid to give me flexibility.

### ASSET ALLOCATION

**We know that the asset classes or categories you choose are responsible for 90% of portfolio returns, while specific security selection within classes is responsible for 10% of returns.**

### Which geographic regions do you want to invest in? Select all that apply

- |  |   |
|--|---|
| <input type="checkbox"/> U.S.A.                  | <input type="checkbox"/> Other North America    |
| <input type="checkbox"/> England                 | <input type="checkbox"/> Other Europe           |
| <input type="checkbox"/> Asia – Large Markets    | <input type="checkbox"/> Asia – Smaller Markets |
| <input type="checkbox"/> Africa                  | <input type="checkbox"/> South America          |
| <input type="checkbox"/> Australia & New Zealand | <input type="checkbox"/> Emerging Markets       |
| <input type="checkbox"/> Other: _____            |   |

### Do you want to actively manage your portfolio or do you want to be a passive investor?

- ☐ I want to control everything and make every decision myself.
- ☐ I want to design my preferences, but I trust others to make my specific investment decisions for me (possibly including robo-advisors)
- ☐ I want to turn everything over to an MBA, CFP, CPA, CFA or other professional.
- ☐ I want a balance of active and passive involvement. I trust others, but I want to do some of the decision-making and investing myself.

### How frequently do you want to review, rebalance or restructure your investment portfolio?

- ☐ I am okay reviewing my portfolio every day or every week.
- ☐ I think it's most appropriate for me to review my portfolio every 1-2 months.
- ☐ I think it's most appropriate for me to review my portfolio every 4-6 months.
- ☐ I want to review my portfolio once a year. No more, no less.
- ☐ I want to set it and forget it. I want a portfolio that does not need reviewing.

**Which asset classes do you want to invest in? Select all that apply?**

- |   |   |
|---|---|
| <input type="checkbox"/> Cash & money market funds  | <input type="checkbox"/> Treasury securities              |
| <input type="checkbox"/> Corporate bonds  | <input type="checkbox"/> International bonds              |
| <input type="checkbox"/> Index funds & ETFs   | <input type="checkbox"/> Mutual funds                     |
| <input type="checkbox"/> Large cap stocks   | <input type="checkbox"/> Small cap stocks                 |
| <input type="checkbox"/> Value stocks   | <input type="checkbox"/> Growth stocks                    |
| <input type="checkbox"/> International stocks   | <input type="checkbox"/> Real estate funds                |
| <input type="checkbox"/> Physical real estate<br><i>(other than your primary residence)</i> | <input type="checkbox"/> Shoes, cars & other collectibles |
| <input type="checkbox"/> Cryptocurrency   | <input type="checkbox"/> Other: _____                     |

**Now, for each of the above asset categories that you selected above, indicate approximately what percentage of your investment portfolio you want to invest in each category?**

**What have we missed? Do you have any unique needs from or are there any special constraints to your investment strategies? Legal issues? Business issues? Estate planning?**



# Long-Term Investment Planning

## FINANCIAL STRATEGIES

## INVESTMENT STRATEGIES

Identify Your Risk  
Tolerance

Identify Your Time  
Horizons

Select Investments

Monitor & Modify  
Investments

## EDUCATION STRATEGIES

## GRAD SCHOOL STRATEGIES

Identify Your Risk  
Tolerance

Identify Your Time  
Horizons

Select Your Field, Program,  
Specialization, Thesis

Monitor & Modify  
Your Progress & Plan





1. **Set your goals.** What do you want to achieve in life? What financial goals will make this happen?
2. **Analyze your reality.** What is your situation? What is your income? What are your expenses? When can you achieve your goals?
3. **Create your plan.** Focus on the short-term – the next 3-6 months – and the long-term – the next 1, 2, 5 and 10 years.
4. **Execute your plan.** Work to decrease your expenses. and to pay off debt. Work to increase your income and your savings.
5. **Track your progress.** How are you doing? Are you ahead of your goals? Are you behind your goals?
6. **Adjust your plan** to reflect your progress, your new reality and any new goals.
7. **Repeat. Revise. Enjoy.**



Isn't this a lot like what you do with your education planning?



## YOUR PERSONAL CHARACTERISTICS & SITUATION

Before you can begin thinking about your financial future, you need to be honest about where you are today. Briefly identify the characteristics that define your current situation, in order to begin thinking about what your personal, professional and financial futures might look like.

### Your Personal Characteristics & Situation

Age:

Family – Spouse? Partner? Children? Parents?:

Other:

### Your School Program or Degree:

### When Do You Expect to Complete Undergrad?

### Your Future Career Path

Take a shot at articulating your professional expectations here. If you aren't feeling confident about some of your answers that's ok. Continuously refining educated guesses about yourself and your situation is what this kind of planning is all about.

What job do you expect to have 1 year after you complete school?

What job do you want to have 5 years after you complete school?

Where do you want to be living 5 years after you complete school?

Where do you want to be living 15 years after you complete school?

## WHAT ARE YOUR VALUES?

Our values are those ideals that are most important to us. You should have already worked through the Values Sort Exercise at <https://www.think2perform.com/values#start>. Now let's dig a little deeper and sort our values into "Personal" values and "Professional" values. We do this to think about the trade-offs we may make between short-term and long-term decisions.

### What Are Your Top 5 Personal Values?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

5. \_\_\_\_\_

### What Are Your Top 5 Professional Values?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

5. \_\_\_\_\_

The list below provides some popular values. Feel free to define your own values are not in this table.

Order	Fame	Faith	Pleasure	Decisiveness
Wealth	Power	Achievement	Spirituality	Flexibility
Honesty	Leadership	Competition	Philanthropy	Friendship
Freedom	Ethics	Money	Autonomy	Meaningful Work
Relationships	Cooperation	Excellence	Safety	Religion
Community	Competence	Creativity	Adventure	Family
Integrity	Recognition	Happiness	Play	Status
Stability	Health	Fairness	Diversity	Privacy
Challenges	Change	Service	Environment	Helping Others
Independence	Security	Excitement	Loyalty	Education

## WHAT ARE YOUR GOALS?

Our values and personal characteristics define where we are today. Our goals define where we want to be in the future. Most of us have distinctly different personal and professional goals – and those goals will change and evolve over time. Think about your goals, what your personal and professional goals are.

### What Are Your Top 5 Professional Goals for the Next 3 Years?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

### What Are Your Top 5 Professional Goals for the Next 10 Years?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

## YOUR PROFESSIONAL SWOT ANALYSIS

A SWOT Analysis identifies Strengths, Weaknesses, Opportunities and Threats. Businesses frequently use these in their strategic planning work. Personal or Professional SWOT Analyses can be a power tool to help you think about your future – what you can control and what may be more difficult to control. In the boxes below, try to list 3-5 items that apply to you for each category.

Your Professional Strengths	Your Professional Weaknesses
Opportunities for Your Professional Future	Threats to Your Professional Future

## YOUR FIRST POST-COLLEGE JOB PRIORITIES & PREFERENCES

You probably came to school for many different reasons. One of those reasons is probably “to get a great job.” As you think about that great job, what does it look like? When you begin applying for jobs, interviewing for jobs, negotiating for jobs or starting your own business, you will have to make a number of decisions. Some of these decisions will be directly aligned with your values and goals. Some of these decisions may involve trade-offs...because it may take a while for you to find “the perfect job.”

Think about the 10 most likely features of your first post-college school job – salary, location, flexibility, opportunity, flexibility, culture... – and identify how important each feature is to you.

- |                   |                    |
|-------------------|--------------------|
| 1. _____<br>_____ | 6. _____<br>_____  |
| 2. _____<br>_____ | 7. _____<br>_____  |
| 3. _____<br>_____ | 8. _____<br>_____  |
| 4. _____<br>_____ | 9. _____<br>_____  |
| 5. _____<br>_____ | 10. _____<br>_____ |

Are there any other deal-killers, must-haves or other key factors to consider for your next job?



### WHAT IS YOUR IDEAL PLAN B?

### WHAT IS YOUR IDEAL JOB 1-2 YEARS AFTER GRADUATION?

- *What is your ideal job and job description?*
- *Where will you be living?*
- *Who are you with? What is your family situation?*
- *What are you working towards? What will your job be in 3-5 years?*

### WHAT IS YOUR IDEAL PLAN B?

- *What could go wrong with the above Plan A? What is the biggest threat?*
- *What is your back-up job and job description? What is your ideal Plan B?*
- *What can you control? What can you do today to make sure this Plan B is an option?*
- *What resources or help will you need to make this Plan B an option?*

## YOUR PERSONAL & PROFESSIONAL VISION BOARD

You may have heard of *Vision Boards* in slightly different contexts – a lot of people create them to help visualize and prioritize different life goals.

That's exactly what we're doing here: we're applying this visualization and prioritization to the intersection of your education goals, your professional goals, your family goals and your personal goals.

Today's session has focused on your professional goals. But it's impossible for anyone to focus on their professional goals without also thinking about personal, family and education goals.

So, try to think about how all of these connect through the following questions – and then begin to build your *Personal & Professional Vision Board*. We encourage you to continue this exercise on your own to make this *Vision Board* as creative and relevant as you need.

- What are your priorities to complete school?
- What do you hope to do immediately following school?
- What job(s) do you hope to have after school?
- How are you going to go about finishing school?
- How are you going to go about getting your first job? Your next job?
- What are the top 5-10 criteria you want in that next job?
- What are your professional goals for the next 5-10 years?
- What are your personal, family and other goals for the next 5-10 years?
- Fast-forward to the year 2040. What experiences, accomplishments, values and other priorities will help you live your best life?
- What are the values – both personal and professional – that will be the foundation for all of your future decisions, experiences and accomplishments?
- Who is your team? Who is going to be responsible for helping you achieve your goals and live your best personal and professional life? Family, advisors, friends...who else?

## What Are Your Values, Dreams & Goals?

Education

Career

Family

## What Is Your Current Situation?

Education

Career

Family

Financial

## Create a Personal Financial Plan for You, Your Family, Your Business & Your Future:

Investing

Budgeting

Debt  
Management

Taxes

Insurance

Retirement

Education

Family

Business  
Planning

Estate  
Planning

Philanthropy

FOR RESOURCES & INFORMATION ON OUR PERSONAL FINANCIAL PLANNING PROGRAMMING:

[brian.bolton@louisiana.edu](mailto:brian.bolton@louisiana.edu)

<http://business.louisiana.edu/financeispersonal>

*A GOAL WITHOUT A PLAN IS JUST A DREAM. MAKE A PLAN TO ACHIEVE YOUR GOALS.*