Eight Steps to Financial Success

A crash course in financial management

Michael Rupured, MS AFC
Extension Financial Management Specialist
## 1. Determine Income

<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>Taxable Income (Single)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>$0 to $8,025</td>
</tr>
<tr>
<td>+15%</td>
<td>$8,026 to $32,550</td>
</tr>
<tr>
<td>+25%</td>
<td>$32,551 to $78,850</td>
</tr>
<tr>
<td>+28%</td>
<td>$78,851 to $164,550</td>
</tr>
<tr>
<td>+33%</td>
<td>$164,551 to $357,700</td>
</tr>
<tr>
<td>+35%</td>
<td>Over $357,700</td>
</tr>
</tbody>
</table>

**Social Security Tax:** 6.2% of wages up to $102,000

**Medicare Tax:** 1.45% of all earned income

**Georgia Income Tax:** 6.02% of income over $7,000
Tax Bite Challenge Solutions

- Fast Food Cook $11,314
- Child Care Provider $12,783
- Manicurist $14,021
- ER Tech $18,880
- Plumber $21,123
- Social Worker $25,438
- PT Assistant $27,323
- Paralegal $28,083
- Electrician $30,019
- Speech Path $36,230
- Forester $36,272
- Physical Therapist $40,996
- Lawyer $61,834
- Pro Singer $62,603
- Anesthesiologist $199,910
- Football Pro $1,022,624
- Lottery Winner $5,921,824
2. Set SMART Goals

- **S**pecific
- **M**easurable
- **A**ttainable
- **R**ealistic
- **T**ime-bound

**My Goals**
- Buy a fuel-efficient car
- Pay at least 20% for down payment
- Purchase by the time I enter college.
- Cut back on eating out, especially on weekdays.
Ana’s Story

- Started at age 22
- Saved $2000 a year
- Stopped adding to account at age 34
Shawn’s Story

- Started saving at age 34
- Saved $2,000 a year
- Stopped at age 65
Tale of Two Savers

- Who will have more at age 65?
# The Growth of Ana’s and Shawn’s Savings

<table>
<thead>
<tr>
<th>Age</th>
<th>Interest Rate</th>
<th>Ana Gutierrez</th>
<th>Shawn Wright</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Saved (To Date)</td>
<td>Total Interest Earned</td>
<td>Total saved at end of year</td>
</tr>
<tr>
<td>21</td>
<td>10%</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>34</td>
<td>10%</td>
<td>$24,000.00</td>
<td>$27,749.97</td>
</tr>
<tr>
<td>45</td>
<td>10%</td>
<td>$24,000.00</td>
<td>$123,648.69</td>
</tr>
<tr>
<td>55</td>
<td>10%</td>
<td>$24,000.00</td>
<td>$358,962.69</td>
</tr>
<tr>
<td>65</td>
<td>10%</td>
<td>$24,000.00</td>
<td>$969,306.59</td>
</tr>
</tbody>
</table>
3. Prioritize Wants & Needs

- Clothes for New Job
- Reliable Used Car
- Gym Membership
- Upscale Apartment
- HD Flat Screen TV
- Wireless Internet
- Annual Beach Vacation
- Satellite/Cable TV
- Mercedes Convertible
- Baby within 1 Year
- Buy a Home/Condo
- Maid Service
- Roommate
- iPod/MP3 Player
- Blackberry/iPhone
- Washer/Dryer
4. Plan Spending
5. Protect Against Risk
6. Borrow Wisely

- Prime Home Mortgages
- Loans against cash-value insurance policies
- Interest-free programs (e.g., 90-days same as cash)
- Free or reduced interest rate loan or credit card offers
- Signature Loans
- Premium Credit Cards
- Home Equity Loans
- Travel & Entertainment Cards
- Unsecured Bank Loans
- Home equity lines of credit
- Personal lines of credit
- Unsecured Bank Credit Cards
- Bank loans secured by large purchases (e.g., vehicles, furniture)
- Secured Credit Cards
- "Buy Here, Pay Here" Car Lot Loans
- Consumer and Sales Finance Company Loans
- Subprime Mortgages
- Other High Interest Rate Credit Cards
- Retail Credit Cards
- Debt Consolidation Loans
- Rent-To-Own Loans
- Car Title Loans
- Refund Anticipation Loans
- Pay-Day Loans
- Pawnshop Loans
7. Understand Inflation
In what year was...

- Gasoline: $1.11/gallon?
- Sugar: $2.49/5 pounds?
- Sunkist Oranges: $0.25/dozen?
- Electric Drill: $70-$90?
- Bacon: $1.89/pound?
- Mink Coat: $199?
- Nylon Stockings: $1/pair?
- Coffee: $0.35/pound?
8. Invest for Long-term Goals

Various Investment Alternatives

- Insured Savings/Checking Accounts
- U.S. Savings Bonds
- Certificates of Deposit
- Treasury Issues
- High-Grade Corporate Bonds or Mutual Funds
- High-Grade Municipal Bonds or Mutual Funds
- High-Grade Preferred Stock
- Real Estate
- Speculative Stock/Bonds/Mutual Funds
- Collectibles
- Commodities

Highest Risk
Highest Earnings

Lowest Risk
Lowest Earnings
Questions?