

# Making the Most of Your Money



# Opportunity Costs: the value of the next best alternative thing

What are the opportunity costs to going to a movie instead of staying home and watching a DVD?

- money spent on movie
- comfort you forgo by not staying home



# Financial Goals

- Specific
- Measurable
- Reasonable and realistic



# Figures taken from the 2013 U.S. Bureau of Labor Statistics

Occupation	People Employed	Mean Hourly Wage	Annual Salary
Retail Sales Worker	8,500,690	\$11.39	\$23,690
Office Clerk	2,832,010	\$14.42	\$29,990
Registered Nurse	2,661,890	\$33.13	\$68,910
Truck Driver	1,585,300	\$19.68	\$40,940
General and Operations Manager	1,973,700	\$55.81	\$116,090
Prosthodontist	290	\$61.69	\$128,310
Mathematical Technician	1,080	\$28.97	\$60,260
Astronomer	1,750	\$53.09	\$110,440
Model	5,470	\$12.79	\$26,600
Forest Fire Inspector	1,730	\$19.54	\$40,640

# Spending Plan/Budget:

## Expenses should never be more than income!

### Sample Income:

- Money earned from a job
- Allowance
- Other Support
  - Parents
  - Family

### Sample Expenses:

- Savings
- Food
- Entertainment
- Car Insurance
- Clothes

# M&M Budgeting Game

- Sort M&Ms by color
- Each M&M is worth \$5
- Write down the income or expense in the proper category, along with the amount
- Total income and expenses
- Subtract total expenses from total income to get a final outcome



# Money

- Cash
- Debit Cards
- Checks
- Credit Cards



# Gross Pay vs. Net Pay

- **Gross Pay:** The total amount that an employee earns before taxes and other deductions
- **Net pay or take-home pay:** The amount the employee receives after deductions





# Gross Pay vs. Net Pay

The difference between gross pay and net pay:

- Social Security taxes withheld
- Medicare taxes withheld
- Federal and State income tax withheld
- Other amounts withheld

# Payroll, Federal and State Taxes

- Employees complete Form W-4
- Employers use Form W-4 to determine how much income tax to withhold
- Employers withhold payroll taxes (Medicare / Social Security), state and federal income tax from employees' pay
- Employers send the amounts withheld to the federal and state governments



## W-2 Form

- View Form
- Form W-2 is used to report your wages for the year and the taxes withheld from your income

# Credit Cards

- Compare rates
- Compare fees
- Is there a default or penalty rate?
- What is the grace period before interest is applied?



## Paying up front vs. paying with credit: \$5,000 Balance

APR	Monthly Payment	Years till paid off	Total amount paid
18%	\$100/month	7.5 years	\$9,323
18%	\$150/month	3.9 years	\$6,984
15%	\$100/month	6.5 years	\$7,896
15%	\$150/month	3.6 years	\$6,509

# Credit Bureau Information:

## Three major credit bureaus

**EQUIFAX**<sup>®</sup>

 **Experian**<sup>®</sup>

**TransUnion**<sup>®</sup> 

Fair Credit Reporting Act: ensures that the financial data contained in your credit report is correct and private

- You must be told if information is used against you
- You may access your own file for free once a year
- You can dispute inaccuracies
- Outdated information must be removed

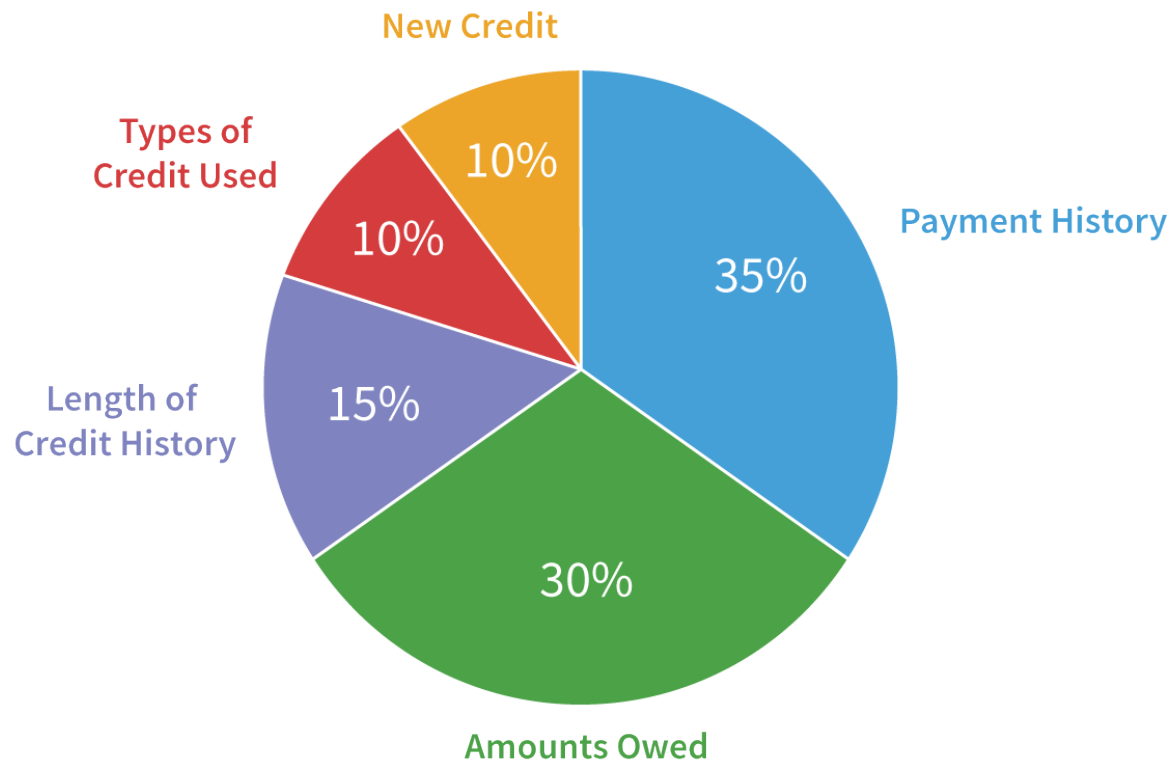
# FICO Score: \$25,000 Auto Loan Example

<b>FICO score</b>	<b>APR</b>	<b>Monthly payment</b>
720-800	3.95%	\$460
690-719	4.15%	\$462
670-689	5.74%	\$480
650-669	8.65%	\$515
630-649	12.14%	\$558
610-629	13.55%	\$576
580-609	16.70%	\$618
520-579	19.50%	\$656

\*Example information only.

# FICO scores range from 300-850

Score is based on several factors





# Budget Worksheet

- You've been given \$100
- You may spend the money anyway you want
- Make at least three purchases