



ESSENTIAL MONEY SKILLS

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WHAT WE WILL COVER

1. What is the best financial decision of your life?
2. Should I buy or rent? How much should I save for a down payment? How much house can I afford?
3. What is your biggest financial regret?
4. How much should I have in an emergency fund?
5. What percent of my income should I set aside for retirement?
6. Is it better to save in a Roth IRA or my company's 401(k)?
7. How do I get started investing?
8. What is your advice on paying off student loans and getting out of debt?
9. What is socially responsible and ESG (environmental, social, governance) investing?
10. What is the best way to ask for a raise? How much money should I be making at my age?



WHAT IS THE BEST
FINANCIAL
DECISION OF YOUR
LIFE?

Write response here.



BUYING A HOUSE AT A YOUNG AGE

I bought my house in Logan Square at age 24 for \$80,000. In 1997, I was living in Wicker Park and my landlord wanted to raise my rent. I was paying \$450 a month and realized I would be better off long-term by owning.

It took a year to find a property that was move-in ready, not far from public transportation, and safe for a single woman. Also, it was hard finding a bank willing to give a mortgage to a woman just starting out in the workforce. One of my tax returns was from when I was a student and showed income of only \$8,000. Eventually, after many denials, I found a mortgage agent at LaSalle Bank who was willing to work with me and figured out I qualified for an FHA loan.

The process tested my perseverance, but buying a house allowed me to lock in low housing costs that made it affordable to go to grad school and start my own business.



SHOULD I BUY OR
RENT?

HOW MUCH
SHOULD I SAVE FOR
A DOWN PAYMENT?
HOW MUCH HOUSE
CAN I AFFORD?

Go to a real estate listing website, find a property for sale and calculate the monthly mortgage payment assuming 30 years. Is the monthly mortgage payment greater than your rent? **Y / N**

To avoid Private Mortgage Insurance (PMI) you need at least _____ % of the purchase amount for a down payment.

How much you can afford depends on various factors, mostly income and existing debt. Banks might approve a monthly housing payment up to 35% of your gross (before tax) income, but don't take out more loan than you need.



WHAT IS YOUR
BIGGEST
FINANCIAL
REGRET?

Write response here.



WAITING UNTIL I WAS 28 TO APPLY TO GRAD SCHOOL

Getting an MBA results in a raise for many professionals, so larger returns on an MBA education is more probable when the degree is earned early. At the University of Chicago Booth School of Business, median salaries for graduates were \$20,000 more than what I was making in 2000. I was working in financial technology at the time and was used to getting \$20,000 to \$30,000 bonuses and regular salary bumps.

I thought, “What’s the rush?” I am making good money now.

What I didn’t realize until I was close to 30 was that I had a narrow skillset and although my income was good, my skills did not have as much value outside of my employer.

If I had obtained my MBA sooner, it probably would have given me more career options and higher income earlier in my career. I knew I wanted an MBA for years, but I let the procrastination take over my decision-making.



HOW MUCH SHOULD I HAVE IN AN EMERGENCY FUND?

At least _____ months of basic expenses in cash savings.

Should you invest your emergency fund? Y /N

FDIC insurance on deposit is \$250,000 per depositor and per bank? Y /N



2021 ACCOUNT ORGANIZATION (EXAMPLE)

EMERGENCIES & SHORT-TERM

Emergency Fund

Example: \$5,000 monthly expenses x 3 = \$15,000
Increase cash to >22% of purchase price for down payment if buying a house.

Taxable Account

Example: \$15,000
5 year time frame, Low risk

\$7,000 Green and high-quality bond mutual funds, bond ETFs

\$3,000 Corporate bond funds, high yield bond funds and ETFs

\$5,000 Dividend paying blue-chip stocks

Health Savings Account

Available with High Deductible Health Plan. NOT "use it or lose it." Maximums: +\$1,000 catchup > age 55

Individuals \$3,600
Family \$7,200

RETIREMENT

401(k)

\$19,500 annual contribution + \$6,500 if > age 50

Employer match

Invest for growth, reduce risk (% stocks) closer to retirement

Roth IRA

\$6,000 annual contribution + \$1,000 if > 50

Tax-free distributions: invest more aggressively

Taxable

Pay taxes every year on dividends and interest income (lower tax rate than ordinary income).

Annuities

Better for age 50+

Use for risk management

Beware of fees

COLLEGE

529

\$15,000 per child/beneficiary to avoid gift tax. IRS permits "front-loading" 5-years. \$15,000 x 5 = \$75,000 upfront. Assumes no other gifts.

Invest for growth, reduce risk (% stocks) closer to enrollment

One account per child or change beneficiaries

Roth or Traditional IRAs

Assets not counted in financial aid FAFSA. Might be counted on CSS form. Income counted when distribute. Use last year of college.

Whole Life Insurance

Borrow from cash value. Use after saved max in 529 and IRAs. More suitable for families with very high level of assets due to liquidity risk.

The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change. Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.





WHAT PERCENT OF MY INCOME SHOULD I SET ASIDE FOR RETIREMENT?

Financial planners recommend saving at least _____% of gross income for retirement.

Depending on my lifestyle, I might need to save more than the maximum in my 401(k) **Y / N**

I should review my 401(k) investments at least:

- Daily
- Every month
- Once a Year
- When new investments are added or dropped



IS IT BETTER TO SAVE IN A ROTH IRA OR MY COMPANY'S 401(K)?

Is one of your short-term goals:

- Buying a house
- Going to grad school
- Taking a vacation
- Starting a family

The Roth IRA has an income-based eligibility requirement of _____ for singles and _____ for married tax filers.

Can a person with earnings save in both a Roth IRA if eligible and a 401(k)? **Y / N**



HOW SHOULD I
MANAGE CREDIT
CARDS?

HOW OFTEN SHOULD I
USE CREDIT CARDS?

SHOULD I CLOSE OLD
ACCOUNTS?

Write response here.



WHAT IS YOUR ADVICE ON GETTING OUT OF DEBT?

- Pay a bit more than the minimum required each month.
- Plan on using every bonus and gift money to pay down debt. Don't delay saving for retirement until all debt paid off.
- Determine a sustainable level of spending that leaves some room for paying off debt and saving.
- Identify the pressures on your budget and how to avoid them in the future.
- Consider doing a side-hustle if your employer allows it.
- Understand the toxic emotions around money that can lead to bad decisions.
- Write down your strategy.





WHAT IS THE BEST
WAY TO ASK FOR A
RAISE?

HOW MUCH MONEY
SHOULD I BE
MAKING AT MY
AGE?

Write response here.



YOUR GOALS AND ACTION ITEMS

GOALS	ACTION ITEMS
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.



THANK YOU

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Investing involves risk including loss of principal.

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*Next event:
Investing 101 on February 12 at Noon CT
Register on [Eventbrite](#).*

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