

# Designing your post-college financial life



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of 2022

# Session Objectives

- ▶ Build a basic understanding of what to expect in your first full-time paychecks
- ▶ Identify strategies to budget and set aside cash for emergencies and long-term goals
- ▶ Reduce confusion on financial topics such as debt, saving, and more!
- ▶ Create a space conducive to asking questions and sharing ideas
  - ▶ *If you would like to submit questions anonymously, [please use the Slido link!](#) Code: JHULDL22*



# Warm-up

- ▶ Please share in the chat one thing related to personal finance you are hoping to increase your knowledge on today.
  - ▶ For example, “I am trying to decide if I should enroll in my company's retirement savings plan as a 22 year old”

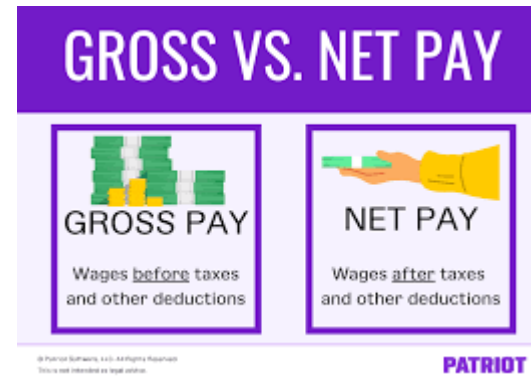
# Why talk about money?

- ▶ Money is one of the top sources of stress for American adults according to the American Psychological Association ([Stress in America 2022](#)). The percentage of young adults (18-25) are more likely than all other demographics to report money as a significant source of stress
  - ▶ Effective planning can help reduce stresses, so when emergencies or unexpected expenses arise, you will be in a better position to address them without going into as much debt. According to research from Bankrate.com, 1 in 4 Americans have no emergency savings. This can cause significant stress for an unexpected illness or car repair for example. ([Bankrate Emergency Savings Survey, 2021](#))
- ▶ In order to design fulfilling lives, finances cannot be ignored. There are costs associated with basic needs (food, housing, healthcare) but saving is also imperative for financing hobbies and passions.
- ▶ Talking about money may help decrease disparities and pay gaps. Transparency is key! ([See NACE Pay Inequity Report](#))

Other thoughts?

# You've landed a salaried job—what's next?

- ▶ Scenario: you have been hired for a job with a starting salary of \$60,000 per year.
  - ▶ Will you actually see this amount deposited into your bank account?
  - ▶ NO! There are taxes and numerous other deductions to keep in mind.
  - ▶ Let's say you are paid two times per month  $(60,000/12)=5,000$   $\$5,000/2=2500$ .
  - ▶ \$2,500 will be your Gross Pay
  - ▶ Your NET PAY will depend on many factors including tax withholdings, state and local taxes and other elected deductions.
  - ▶ *In the chat, please share what some of the other deductions may be.*



# Paycheck Deductions

- ▶ Taxes (federal, state, local, FICA (social security and Medicare)). To try to calculate what your net pay will be, there are many [calculators online](#), but you may also not know until you receive your first paycheck.
- ▶ Health insurance premiums
- ▶ Retirement contributions (401K, 403B, pension contributions, etc.)
- ▶ Life insurance, short and/or long-term disability insurance
- ▶ Flexible spending account (FSA) or Healthcare Savings Accounts (HSA) contributions. These accounts can lower your **taxable** earnings which saves on your federal tax bills to cover health, transportation, parking and other eligible costs.
- ▶ **Beyond taxes, all benefits and deductions will vary employer to employer, so when selecting a job, it is critical to examine benefits offered.**

# Why Save Money?

- ▶ **To cover unexpected expenses or emergencies**
  - ▶ These may include: car or house repairs, medical expenses, unemployment
    - ▶ Even with health insurance, you will have to pay a deductible before your plan kicks in (this can potentially be thousands of dollars depending on your plan). [Please review common health insurance terms here.](#)
- ▶ **To move and get your own place!** Keep in mind: you may have to front a security deposit, first-month and last-month of rent and moving costs. This could add up to thousands of dollars! Rent prices are also increasing quickly. During the last two years, median rent prices have increased by 18.8% [according to Realtor.com](#)
- ▶ **In order to make a large purchase**, even if you are getting a loan, you still need to put some money down.
  - ▶ For example, say you want to buy a \$25,000 car, a typical down payment of 20% would be \$5,000
  - ▶ To purchase a home, you will need to have cash for a down-payment (generally 3 to 20 percent of purchase price for first time buyers + closing costs and other fees).
- ▶ To pursue hobbies, passions and other goals
- ▶ Peace of mind!
- ▶ Other thoughts?

# Creating *and* Sticking to a Budget





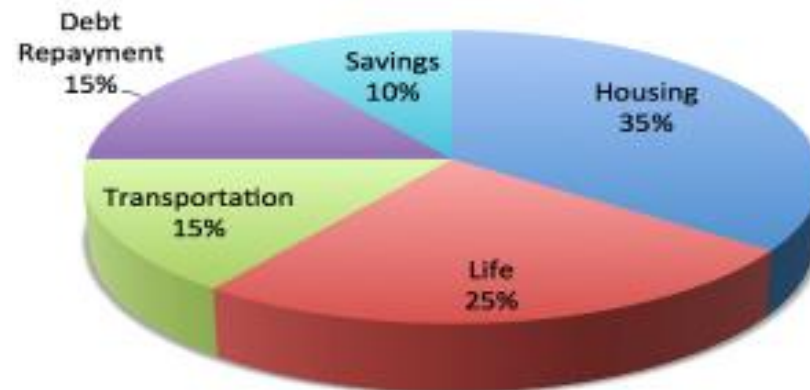
# Where to start?

- ▶ Identify your **NET** pay
- ▶ Record all **fixed expenses** (things that are not avoidable and should be relatively constant month to month (rent, transportation costs, utilities, health insurance, prescriptions, student loan payments, etc.)
  - ▶ Common rules of thumb recommend spending no more than 30 percent of your pre-tax income on housing, 15 percent on transportation, but YOU will need to determine what works best for yourself and your financial situation.
  - ▶ Another popular guideline is the “50-30-20 rule”
- ▶ Set amounts that you are comfortable for everything else (**Variable expenses**) (clothes, dining-out/bars, groceries, travel, hobbies, entertainment, charity, etc.)



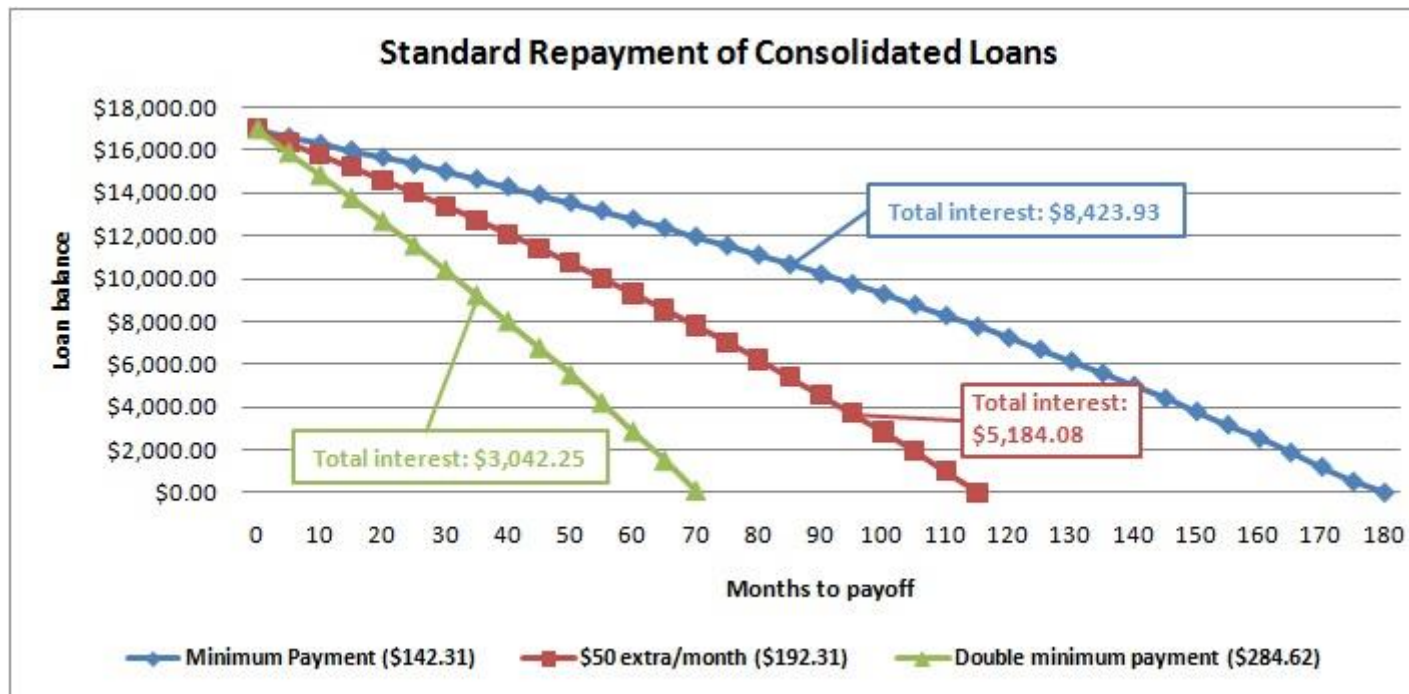
# Exercise: begin to brainstorm your budget

- ▶ Take 5 minutes to begin developing your own post-graduation budget
  - ▶ A good way is to start jotting down on a piece of paper or notes app current and anticipated income and expenses upon graduation
  - ▶ Hint: start with the big things such as rent, electricity, internet, car/public transit pass, groceries so you can then think about appropriate amounts for other aspects.
- ▶ Consider your fixed and variable expenses, amount you'd like to save, and any debt/loan payments



# Managing Debt

- ▶ If you have student loans, paying above the minimum can reduce your total interest paid and shorten the length of time you are making payments, too!
- ▶ If you have credit card debt or other forms of debt, it may make sense to put any extra cash towards the accounts with the highest interest rates
- ▶ Credit cards *can* be a great tool *if* you are disciplined and can stick to a budget to earn cash back or other rewards for expenses you were going to make anyway. If you carry a balance or are spending more than you would normally, this is a quick way to get into trouble (interest paid will FAR outweigh any rewards earned. As of 3/22, median card interest rates are nearly 20%)

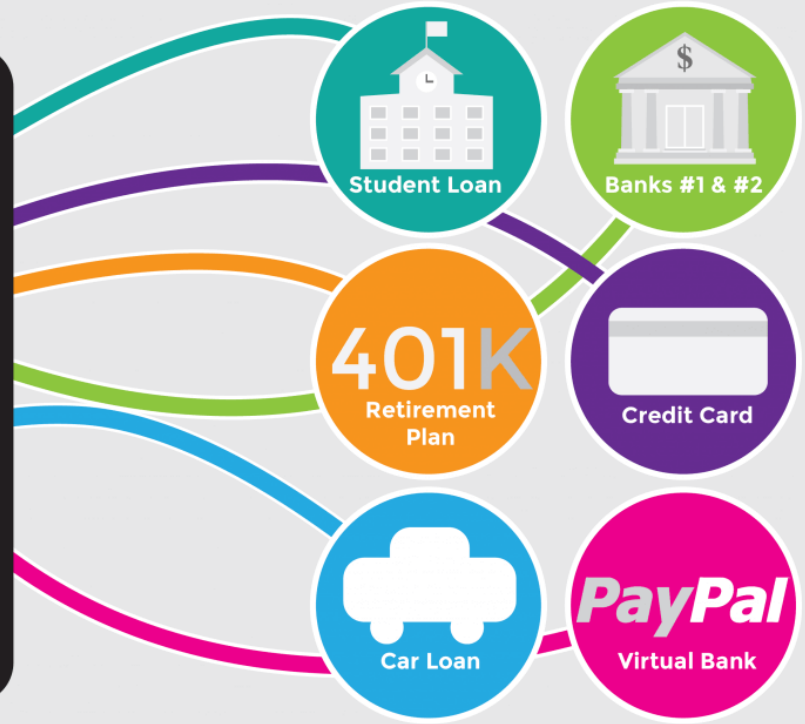
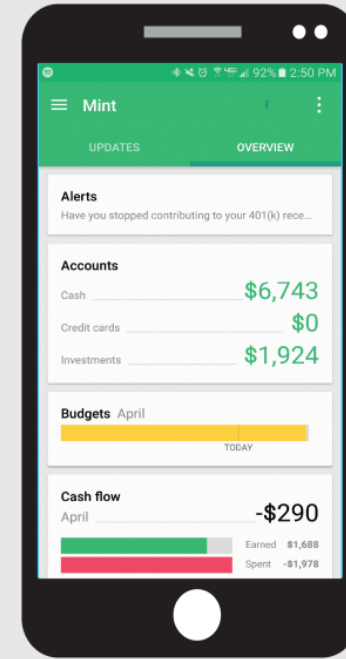


# Budget for savings

- ▶ It may be helpful to consider savings as another budget line item: this can be to build an emergency savings account, fund for a goal (vacation, new car, etc.)
- ▶ Automate retirement savings if offered by your employer
  - ▶ If employer does not offer, check out private options at various financial institutions. All will have varying minimum account balance requirements and types of products (ROTH IRA, IRA, 401k, etc.) Check out some basics of types of plans [here](#)
  - ▶ **Tip:** many companies do not contribute to employee retirement funds right away. Some may require you to have worked for a year or two. This does not mean you can't contribute anyway (either employer or private plan), and you may save money on income taxes, too!
  - ▶ **Tip:** some companies that do contribute may have a [policy for funds to vest](#). Employer contributions are not all yours until completing vesting period (typically a few years)
- ▶ You may want to consider having separate checking (every day expenses) and savings accounts, so it is not as tempting to spend down extra cash.
- ▶ Stick to your plan but check-in with yourself often! Are you being realistic? Do budget categories need updating because of new habits or salary changes? This is HARD and you will make mistakes, but preparation can help tremendously.
- ▶ Select institutions that fit your needs and charge minimal fees. Try to get information from trusted organizations such as [Consumer Reports](#) and [Consumer Financial Protection Bureau \(CFPB\)](#)

# Budgeting Tools

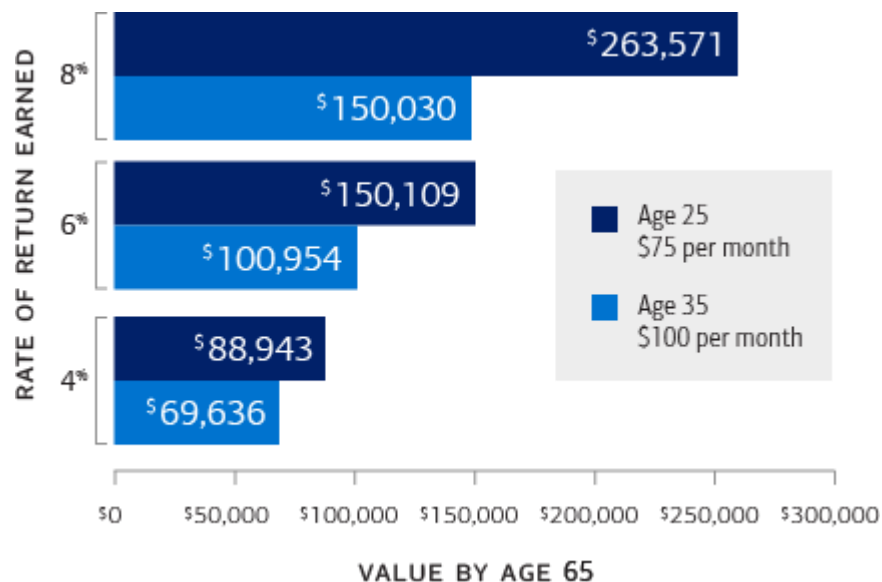
Personal Budget Spreadsheet															
Starting Balance	1,500												Total	Ave	
Total Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
ET (Income - Expenses)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Projected End Balance	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500			
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total	Ave	
<b>INCOME</b>															
Wages & Tips														0	0
Interest Income														0	0
Dividends														0	0
Gifts Received														0	0
Refunds/Reimbursements														0	0
Transfer From Savings														0	0
Other														0	0
<b>Total INCOME</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>HOME EXPENSES</b>															
Mortgage/Rent														0	0
Home/Rental Insurance														0	0
Electricity														0	0
Gas/Oil														0	0
Water/Sewer/Trash														0	0
Phone														0	0
Cable/Satellite														0	0
Internet														0	0
Furnishings/Appliances														0	0
Lawn/Garden														0	0
Maintenance/Supplies														0	0
Improvements														0	0
Other														0	0
<b>Total HOME EXPENSES</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TRANSPORTATION</b>															
Vehicle Payments														0	0



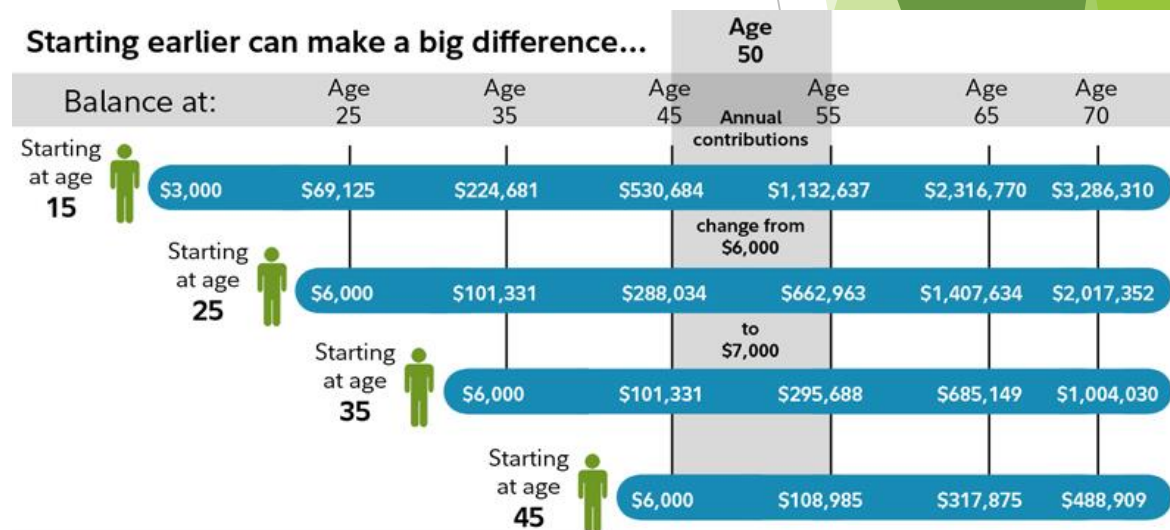
JANUARY INCOME				JANUARY EXPENSES			
	Source	Date	Amount	Expense	Budgeted	Actually Spent	% of Income
DAVE	Mulaney	1/7	\$ 8	Charitable Gift	200		
		1/14		Savings-Emergency	200		
		1/21		Mortgage	2500		
		1/28		Repairs	50		
SUSIE	YMCA	1/8	\$ 9	UTILITIES			
		1/22		Electric	250		
	Ecourse	1/1-1/30	\$ 28	Oil	350		
		Affiliate	1/4	\$ 9.08	Propane	0	
	Amazon (October)	12/29	\$ 5.07	Cell phone	110		
				Trash	33		
				FOOD			
				* Groceries	1200		
				* Unplanned Stops	50		
				TRANSPORTATION			
				* Gas	150		
				* Oil	100		
				Insurance	100		
				SPORTS FEES			
				swim	0		
				basketball	280		
				MISCELLANEOUS			
				* cleaning	50		
				* toiletries	50		
				gifts	0		
				TOTAL			

# Make your money work for you!

- ▶ After you feel like you have enough money saved to cover emergencies or have no high interest debt (credit card/personal loans), consider investment accounts for retirement or to begin saving for large purchases, such as a down payment on a house or graduate school tuition.
- ▶ It is very beneficial to start early because then your money will have a longer period to compound and grow.



## Starting earlier can make a big difference...



### The hypothetical example assumes the following:

- Annual Roth IRA contributions on January 1st of each year starting at age shown.
- Annual Roth contributions of \$3,000 for ages 15 - 20; annual contributions of \$6,000 for ages 21 and over; at age 50, additional \$1,000 annually as catch-up contributions each year.
- An annual rate of return of 7%.
- No taxes on any earnings within the Roth IRA. The ending values do not reflect taxes, fees, or inflation. If they did, amounts would be lower.

# Discussion and Questions



# Exit “ticket”

Please share in the chat one thing you learned today and something you want to implement in your post-grad financial life!





# Additional Campus Resources

- [JHU Financial Wellness](#)-short videos about money basics, budgeting and more!
- [JHU Financial Aid](#)
- [JHU Federal Credit Union](#): various tools and calculators available on their website
- [University Health Services \(UHS\)](#): financial wellness resources
- [Life Design Lab](#): many resources and workshops, such as this one and on how to negotiate salaries
- External resource- [“How Millennials Can Get Rich Slowly”](#) (still relevant for Gen Z!)