

# Some Definitions

**Budget:** A Budget estimates and tracks your income and expenses during a specific period, usually a month or a year. Budgets are basically an ongoing month-to-month financial plan that is known to increase significantly the success of any financial activity.

**Compound Interest:** Compound Interest is letting your money work for you. The way to start this process is to save. When you save money, it earns you money. You make money ("interest") on the money you save, and you also earn interest on the interest.

**Debt:** Debt is when you owe money to someone, or to a company (like a bank), and pay interest because they loaned you the money. A credit card is an excellent example of this negative compounding; the amount owed can grow and grow. A good starting goal is not to have too much debt and make it a habit not to spend more than you earn.

**Diversification** (spread out the risk): Diversification means mixing a wide variety of investments into one portfolio to lower the "risk" of the group of investments while NOT lowering the long-term performance.

**Investment:** An Investment is something you put your money into so that your money works for you and grows - or "compounds" - the investment. Examples are real estate like a rental property, bonds, bank savings that pay interest, stocks that are part ownership of a company, or mutual funds that are investments managed by financial professionals.

**Lifestyle Mutual Fund:** A Lifestyle Mutual Fund is an investment fund that manages a diversified portfolio for investors. These funds are based on your risk tolerance, age, and investment goals. They provide much less risk than traditional funds by offering a more extensive range of diversification.

**Mortgage:** Not all debt is bad. Most people who purchase a home have a mortgage, which is a home purchase loan. A mortgage company agrees to loan you money to pay for some, or all of the home, and you pay back the loan over time, including interest paid to the lender. With each monthly payment, you own a greater and greater percentage of the home, until the loan is fully repaid. How much of a mortgage to take is a budgeting decision you make based on your needs, desires, and income level. Also, the interest paid on the mortgage can usually be deducted from your annual income taxes.

**Mutual Fund:** A mutual fund is an investment that manages a diversified portfolio for investors and consists of stocks, bonds, or other securities. Mutual funds provide small or individual investors access to diversified, professionally-managed portfolios for a set fee.

**Portfolio:** A portfolio is a collection of investments like stocks, bonds, coins, cash, as well as mutual funds. Diversification is a key component of a portfolio because a strong portfolio includes more than one kind of investment.

# LTM Budget Guidance

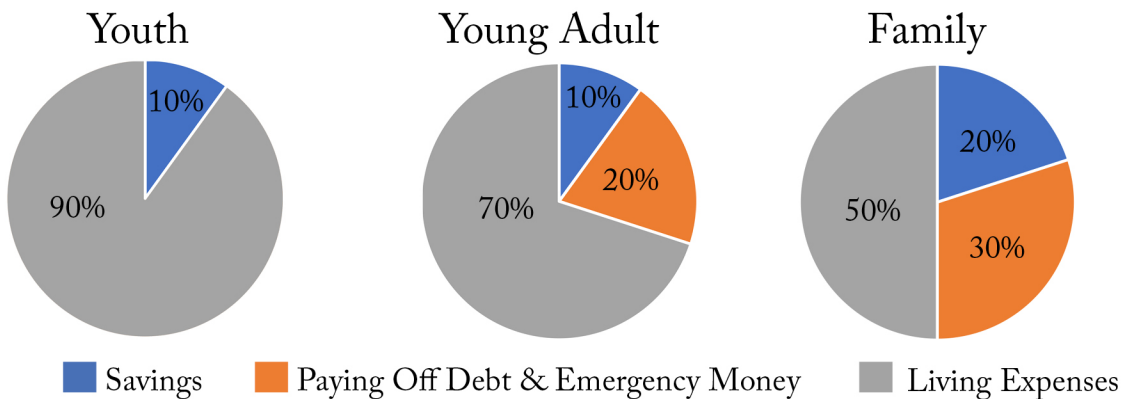
**Budget Goals:** Plan to spend no more money than you earn or have coming in.

Basic budget plan formula: (Expected “Money coming in”) - (Projected “Money going out”) = Discretionary Income if positive or Debt if negative

Examples of “Money coming in” - income from work, chores or your allowance

Examples of “Money going out” - expenses like groceries, cell phone, rent, or savings.

## Sample Budget Goals For Age Groups



### Budget Guidelines to Success:

- Pay yourself first: That means saving. Take this money out first before paying other bills, expenses, or wants. Investing directly - or as soon as you can after receiving income - works best.
- Save 10% of your income for long-term financial goals like college expenses, buying a house, or saving for retirement.
- Save 10% of your income for short-term financial goals that cost a little more than normal daily expenses such as unexpected purchases like a car repair.
- Plan to set aside at least three months of income for “emergency money”.
- The rest is yours for expenses - expected and unexpected!

A budget is a plan for your money - like a map. Watch your budget carefully and decide if your plan is working. If it is not working, adjust your budget. A key part of budgeting is not spending more than you earn! Remember - a budget can be extremely helpful in managing an individual's or a family's finances to meet both short-term AND long-term goals.

Finally, be careful of credit cards! Pay in full each month to avoid high interest rates. Keep each credit card debt under 30% of the credit limit.

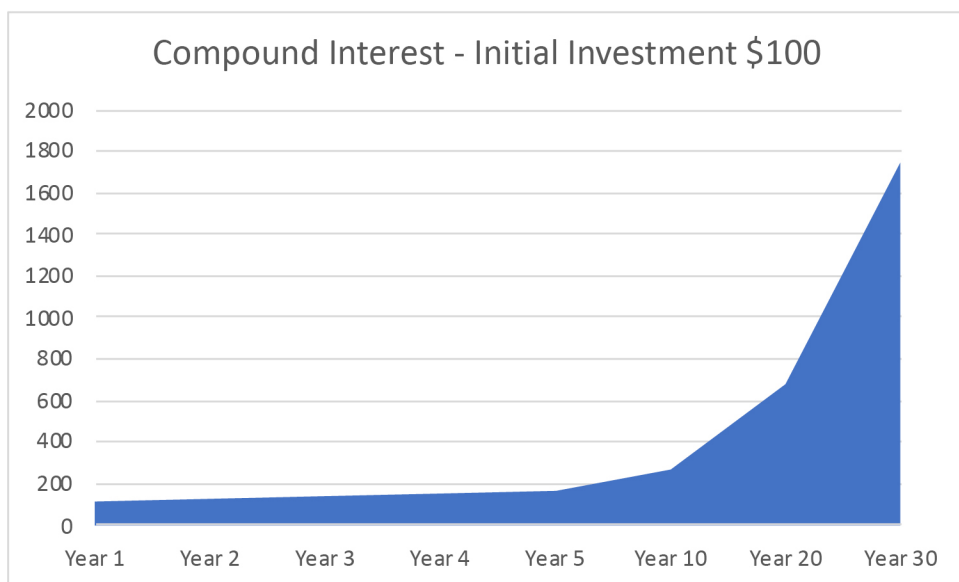
# The Magic of Compound Interest

Let's say you start with \$100 in a savings account. You receive \$1.00 additionally at the end of each year for every \$10 you have at the end of the year. This is compounding interest annually at the rate of 10%.

Here is an example:

	Starting Amount	Interest	Total at End of the Year
Year 1	100	10	110
Year 2	110	11	121
Year 3	121	12	133
Year 4	133	13	146
Year 5	146	14	160
After 10 Years			260
After 20 Years			672
After 30 Years			1744

The magic of compound interest is that your money is working for you! You don't have to add any additional funds to the original \$100 to benefit from compound interest. You let the money earn interest ON TOP OF interest! Interest rates do vary, but the concept is the same with savings and investments.



# How To Write A Check

The image shows a sample check form with the following details and annotations:

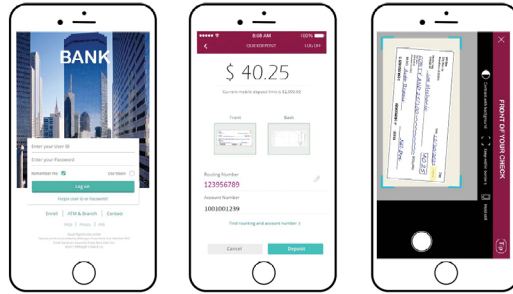
- 1**: The date field, containing "12/10/2021".
- 2**: The "PAY TO THE ORDER OF" field, containing "Joe Mechanic".
- 3**: The numerical amount field, containing "40.25".
- 4**: The amount in words field, containing "FORTY AND 25/100".
- 5**: The signature field, containing "Jill Doe".
- 6**: The "MEMO" field, containing "Auto Repair".
- 7**: The MICR line at the bottom left, containing "123456789".
- 8**: The MICR line at the bottom middle, containing "1001001234".

Other text on the check includes: "Jill Doe", "321 Main St", "Anywhere US 10101", "Date", "1-678/1239", "Your Bank", "654 Main St", "Anywhere US 10101", and "790".

- 1) This is the date you write the check. You can write the date in the following forms: 12/10/2021 or Dec 10, 2021
- 2) This is the legal name of the person or company to whom you are writing the check
- 3) This is the actual amount you will pay someone. You need to include a decimal point to separate dollars from cents. Example: \$40.25 = 40.25
- 4) This is the amount you will pay someone written out in words. The cents are written as a fraction of 100. For example, \$1,225.25 is written "One thousand two hundred twenty-five and 25/100"
- 5) This is your legal signature
- 6) This is the "memo" section where you can write additional information such as an account number or a note about the reason for the payment. For example: "rent"
- 7) This is the "routing" or bank identification number
- 8) This is YOUR account number

# How to Deposit a Check

A check can be deposited using most bank apps. Once you sign the back of the check, follow your bank instructions.



You can also go into your bank and deposit a check using a deposit form, or use their automatic teller machine (ATM).

Diagram illustrating a check deposit form layout:

**BANK**

Your Name —————→ \_\_\_\_\_

Your Signature —————→ \_\_\_\_\_

Cash

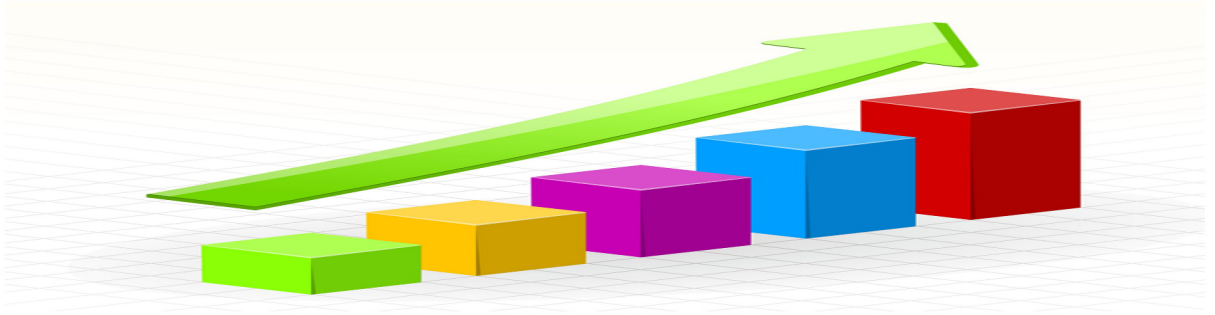
CHECKS

\$

341971401

Checks

# Key Steps to Financial Independence



- Write down your goals. You cannot reach your goals if you don't know what they are. View them often!
- Pay yourself first. Start saving (“investing”) 10% of your income
- Make your money work for you by compounding interest
- Avoid credit card debt, or you risk having your money work for someone else! Pay cash when you can and only buy the best you can afford.
- Understand that “compound interest” and “debt” work against each other!
- Start saving early for your retirement.
- Create life planning documents such as a revocable trust and will.
- Keep investments diversified.
- Create and stick to a budget! It is a financial road map to success.
- Don't spend more than you make. If you don't have enough to buy what you want, wait until you do (like Alex!)
- Be an intelligent consumer (like Olivia!)
- Be an investor (like Chris!)
- Invest in something that you enjoy and that compounds interest (like Bianca!)
- Believe in and invest in yourself (like Johnathan!)

What Are Your Goals?

Pay Yourself First!

Make Your Money Work For You!