

Oliver's college

You may have noticed that this book is a little different from other personal finance books.

While the illustrations are meant to make it a little more fun and engaging to read, they are also designed to help you see the future.

The stories you are going to read are my own, either through my personal experiences, or through observations over my nearly 30-year career in the financial advisory business.

CHAPTER 2

SAVINGS - PAYING YOURSELF

You can pay yourself or you can pay someone else, which would you rather do?



John and Adam are high school friends...



Key Definitions:

{Saving}

Putting money away so that you have a nest egg.

{Investing}

A compliment to saving, where you take part of your savings and invest them in the hope of making your money grow. It is important to note that savings and investing are complementary to each other, investing does not replace saving. You should continue to save, while investing.

{Credit Score}

A score that helps lenders determine your creditworthiness and what interest rate to charge you. The better your score, the more likely you are to get approved for a loan and the more likely you are to get a lower interest rate.



John, a high school student, works at a grocery store and gets paid \$400 every 2 weeks.

Thank you
For Shopping

John decides that he wants to save over \$2,000 per year while working.

I think
I can do
\$50 a week.

\$50 x 52 weeks =
\$2,600 yearly

He determines that this means he will need to save \$50 per week, every week to reach his goal.

BANK

John goes to his local bank and tries to open a savings account.

BANK

But learns that the minimum balance requirement is too high.

While traditional banks tend to have higher minimums, there are many alternatives available. Online banks and savings tools can be a great resource.

He gets a car loan, and now the payments add up. He didn't think about the cost of insurance, gasoline, or maintenance. So being over-stretched with the car payment alone is really creating problems for Adam.

Adam's rate is 9.75%, at the high end of the range.

Loan Information
 Account Number: 126432912169
 Vehicle Description: Sedan
 VIN: 5JTY43QW313212
 Interest Rate: 9.75%
 Principal Balance: **\$20,000.00**

Ways to Pay
 You can make your loan payment at no cost in many convenient ways:
 • Make one-time or set up repeating automatic payments on motorfinance.com or through our Mobile App.
 • Pay by phone 1-800-565-5555
 • At any full service branch
 • Mail your payment

Adam Schwartz
 Due Date: 6/26/2022
 Account Number: 126432912169
 Scheduled Payment: **\$436.86**
 Past Due Amount: **\$436.86**
 Total Payment Due: **\$873.12**

Car loan rates vary between 3% and 10%, depending on your credit score. The higher your score, the lower your interest rate, and vice versa, the lower your score the higher your interest rate.

What does it mean? Adam's 5 year \$20,000 car loan \$61 more a month than it would if he had a high credit score.

\$20,000 at 3%
 over 5 years =
 \$358 monthly
 payment.

\$20,000 at 9.75%
 over 5 years =
 \$419 monthly
 payment.

That's \$3,660
 more in interest
 over the 5 years.

His poor savings
 and over-spending
 habits are costing
 him a lot.

Not only is
 Adam's car loan
 more expensive
 than it could be,
 his car insurance
 premium is also
 higher.

Why?
 Believe it or not,
 your car insurance
 premium is also
 impacted by your
 credit score - just
 about everything
 financial is!

Your balance sheet is a summary of everything you own and everything you owe.

BALANCE SHEET EXAMPLE

ASSETS

Current Assets

Checking Account	\$5,000
Savings Account	\$12,000
401(k)	\$100,000
Brokerage Account	\$42,000
529 Plan	\$16,000

Total Current Assets 175,000

Property

Land	\$150,000
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Other Assets

Computer	\$3,000
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Total Assets 328,000

LIABILITIES & EQUITY

Current Liabilities

Accounts Payable	\$40,000
Credit Card	\$12,000

Total Current Liabilities 52,000

Noncurrent Liabilities

Long-term Debt (loan)	\$60,000
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Total Liabilities 112,000

Equity

Common Stock	\$100,000
Retaining Earnings	\$200,000

Total Equity 300,000

Total Liabilities & Equity 412,000

ASSETS - LIABILITIES = NET WORTH

Your income statement and budget is a summary of what you earn and what you spend - pretty simple, right?

INCOME STATEMENT EXAMPLE

REVENUE

Income

Gross Wages	\$6,000
Paid Time Off	\$104
Dividend Income	\$1,000
RMDs	\$500

Total Income 7,604

EXPENSES

Housing

Rent/Mortgage	\$1,800
Utilities	\$600

Total Housing 2,400

Transportation

Car Payment	\$300
Fuel	\$150
Repairs	\$750
Car Insurance	\$75

Total Transportation 1,275

Household Expense

Groceries	\$500
Supplies	\$200

Total Household Expenses 700

Total Expenses 4,375



Yes, if you don't wear them and they have a value. Basically everything you own that would generate cash, if you were to sell it.

That's right again, but don't make it too complicated.

Most people list the items they own that have a meaningful value and could be sold relatively easily.

So, things like your clothes aren't necessarily included. But things like jewelry or other items of value should be. In your case RJ, valuable collectables such as rare Nike sneakers, should be included in your balance sheet.



LESSON LEARNED:

The difference between saving and investing.

- Saving and investing go together, it's not an "either / or".
- Talk to your employer about benefits and automated investment plans they may offer.
- Keep it simple and don't be afraid to ask for help.

- 1) Savings and checking account
- 2) Brokerage account
- 3) Retirement account
- 4) Speculative accounts / investing such as bitcoin or other high-volatility investments.

Look for
Resources



CHAPTER 5

THE VALUE OF TIME



Key Definitions:

{Asset Allocation}

The mix of stocks, bonds, real estate, crypto currencies and other investments that make up the entirety of your portfolio. Knowing your asset allocation helps understand your risks and expected returns.

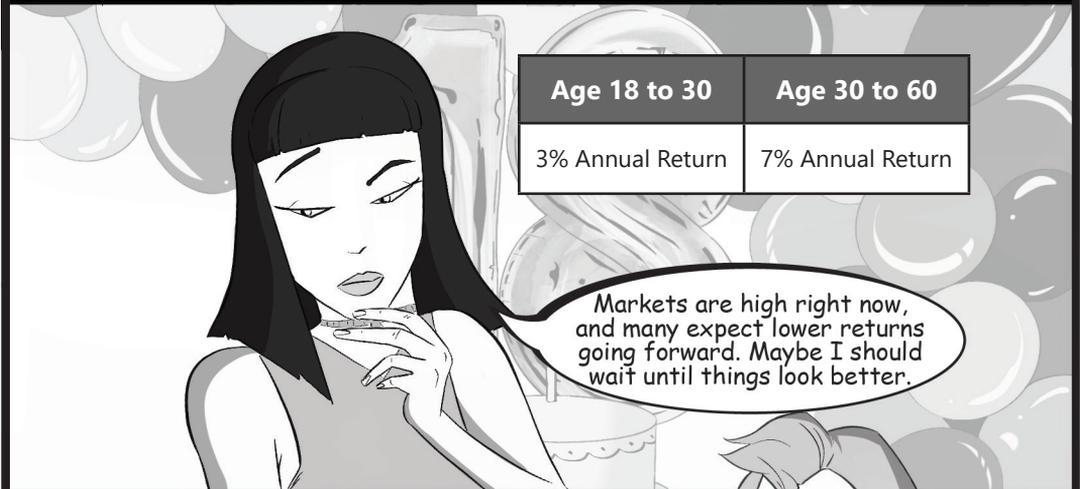
{Compounding Returns}

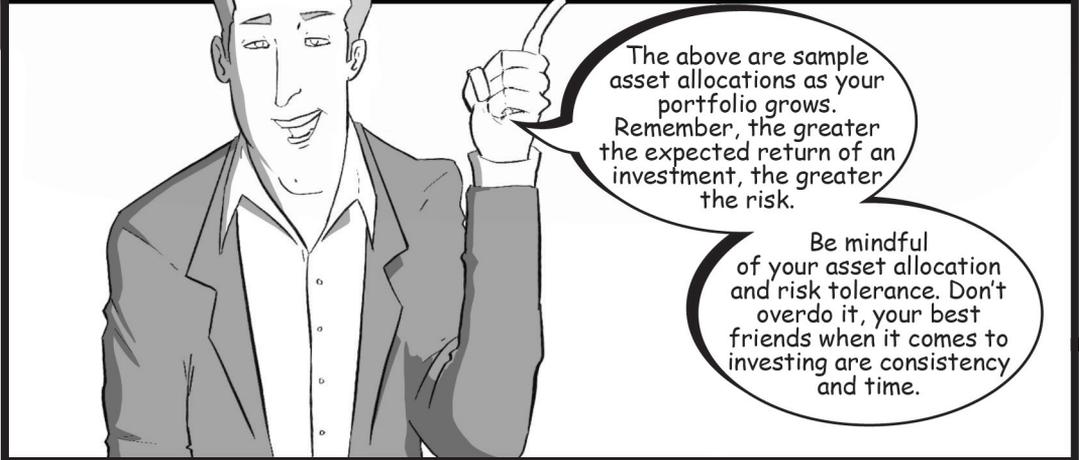
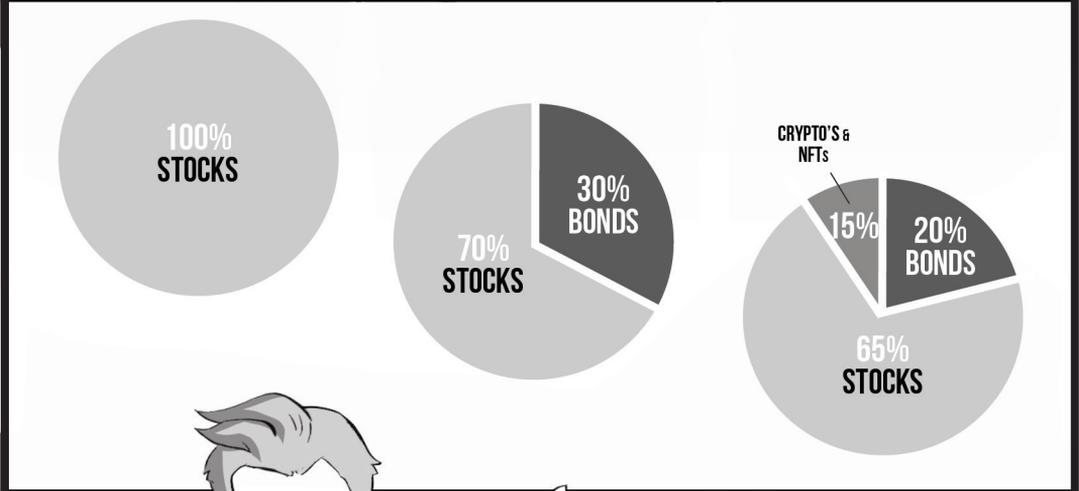
Earning money on 'earned' money. For instance, you save and invest \$1,000, which grows to \$1,100 because your investment appreciated by 10%. The next year, the investment rises by another 10%, meaning you now have \$1,210 - your initial \$1,000, the \$100 you earned last year, the \$100 you earned on your initial investment this year, plus the \$10 you earned on last year's \$100 earnings.

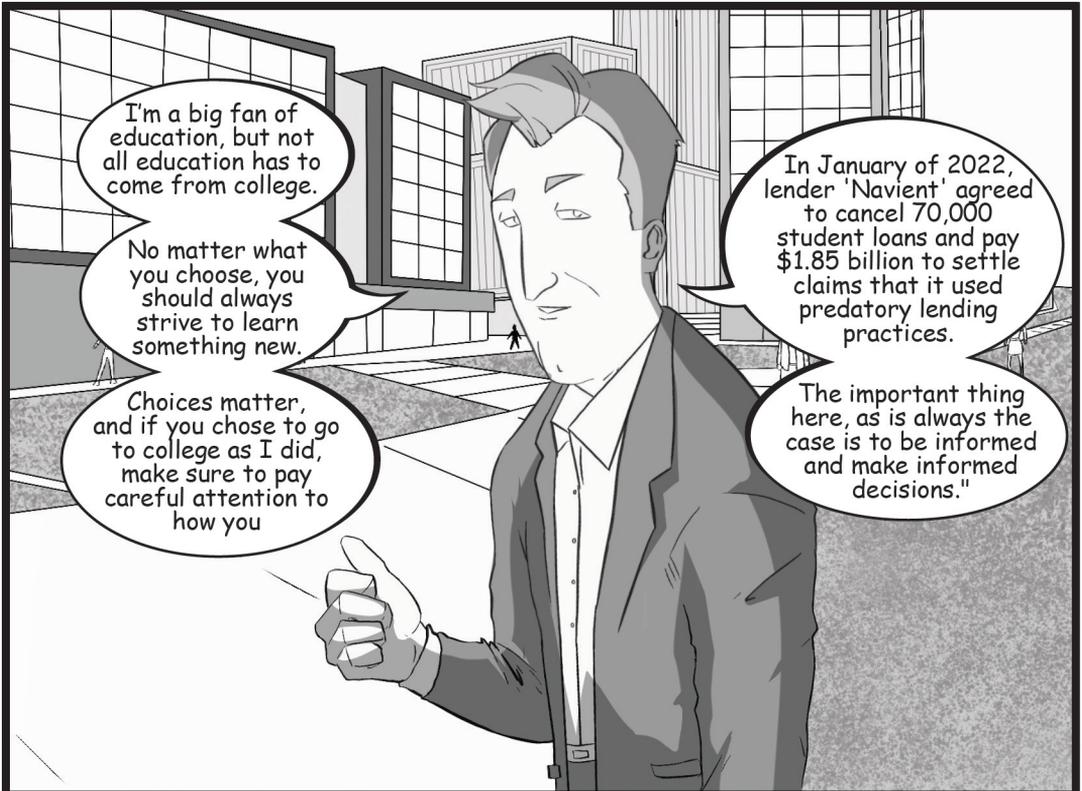
{Inflation}

A general persistent rise in the price of goods and services, making them more expensive and therefore reducing the value of money. \$1,000 50 years ago was worth a lot more than \$1,000 today - because of inflation.









I'm a big fan of education, but not all education has to come from college.

No matter what you choose, you should always strive to learn something new.

Choices matter, and if you chose to go to college as I did, make sure to pay careful attention to how you

In January of 2022, lender 'Navient' agreed to cancel 70,000 student loans and pay \$1.85 billion to settle claims that it used predatory lending practices.

The important thing here, as is always the case is to be informed and make informed decisions."



That can be in a classroom,



...being a mechanic,



...or a skill or craft such as carpentry,



...or a programmer, coder.

Think about your future, what you love to do and are good at, then match it to a good paying job that is in demand.

In other words, eating ice cream doesn't count.