Financial Literacy

What I Wish I Learned in School

Key Terms

Financial literacy is the knowledge, attitudes, and the skill set you need to be an informed consumer of goods and services and to manage your personal finances effectively.

Personal finance is the subject area that includes all of the decisions and activities of a person or a family with regards to their money. It covers earnings (income), spending (expenses), saving, budgeting, investing, taxes, insurance, and other topics that have to do with finances.

Why Financial Literacy Matters

You are looking forward to the future with dreams, ambitions, and aspirations. Money is an important enabler to help achieve your dreams!

> ***“Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.”*** ***— Ayn Rand***

As with any tool, you need to know how to use money well before you get the best out of it! This course, *"Financial Literacy - What I Wish I Learned in School"*, will provide you a basic foundation that you need to make the best choices with money throughout your life.

> ***"You don't have to be a miser, just be wiser with your money."*** ***— Dorethia Kelly***

What You Will Learn

Chapter 1: Introduction to Finance & Banking
Chapter 2: Saving
Chapter 3: Budgeting
Chapter 4: Credit & Debt
Chapter 5: Education & Careers
Chapter 6: Income & Taxes
Chapter 7: Investing & Retirement
Chapter 8: Insurance
Chapter 9: Consumer Skills
Chapter 10: Giving & Continued Education

Chapter 1:
Intro to Finance & Banking

The Role of Money and Banking

Long ago, before there was money, people used bartering or the exchanging of goods and services. This becomes difficult when things have differing values and availability. So people invented money.

Money and banks helped solve problems with bartering. For example, a farmer can now sell corn at harvest, put the money in the bank, and use it to pay bills until next years harvest.

And when you are short on money savings, you can take out a loan to obtain more money.

Banks and Financial Institutions

Today banks do a lot more than just storing our money for us.

- Banks take our savings, and pay us an interest for the time they hold our money.
- This makes money an asset, on which you can earn a return.
- Then bankers use our savings to give loans to people and businesses that need money (but don't have enough savings of their own).
- The loans are given at a higher interest rate than we earn and bankers then earn a profit with the difference (after paying their cost of running the bank).

Over time, these basic banking functions have evolved to include a range of financial institutions providing a variety of services to both people and businesses.

Types of Financial Institutions

- Central Banks
- Retail and Commercial Banks
- Internet Banks
- Credit Unions
- Savings and Loan Associations
- Investment Banks and Companies
- Brokerage Firms
- Insurance Companies
- Mortgage Companies

With more people turning to banking online, and the advent of fintech, you may find hybrid institutions that offer a mix of products and services.

How Financial Institutions Can Help You

If you have a savings account or checking account, you are already using financial institutions.

You will have more and more interactions with the financial system throughout your life.

- To save the money you earn
- To spend money
- To borrow money
- To invest your savings and grow your wealth
- To protect yourself, your family, and property with insurance
- To support you in running a business

Your Interactions With Financial Institutions

As you go through life, you will have the need for:

- Savings accounts
- Checking accounts
- Credit Cards
- Prepaid debit cards
- Investment and Retirement Savings accounts
- Money market accounts
- Trading accounts
- Insurance policies - for life, home/property, medical, etc.

Opening a Bank Account

If you haven't already opened a bank account, here are the steps and how it works.

- Do some research and pick a bank or credit union that suits your needs. We prefer and use Ally.com and Chase.com for our banking, savings, credit cards, and loans.
- Visit the bank branch or website.
- Pick the product (type of accounts) you want (i.e. checkings account and/or savings account) and create your account, filling out all the required information.
- The bank may check your credit history, especially if you want to open a loan account or credit card.
- Give consent to the terms and if asked to, print, sign, and mail the documents.
- Deposit some money in your account (funding the account).
- Begin using your account! You may first have to wait for checks in the mail and activate your credit or debit cards.

Checking Account, Savings Account or Both?

CHECKING ACCOUNT	SAVINGS ACCOUNT
To keep money you need in the short term. Use for paying bills, grocery and shopping.	To save money for meeting financial goals, including building an emergency fund and saving for long-term goals.
The bank does not pay interest on your funds.	Pays interest on your account balance and helps grow wealth.
Gives easy access to your funds with no limitations or penalties. **Debit cards** take funds directly from account.	May limit access to funds to encourage saving. Typically do not issue debit cards.
Can take an overdraft (OD) for cash shortages. Authorized ODs have a service fee. Unauthorized ODs carry steep penalties.	No overdraft facility available if you run out of funds.
Can be linked to savings accounts. Option to order paper checks. Easy transfers for paying bills.	Can be linked to checking accounts. You can transfer funds to your checkings account for withdrawals.
Fees for not having a minimum balance, using other banks' ATMs, and for withdrawals exceeding amount in the account.	Fees for not having a minimum balance. Different banks have different rules and penalties.

Managing Your Bank Account - Best Practices

Your bank account, whether savings or checking, comes with some financial responsibility.

Learning good account management practices helps you avoid unnecessary bank charges, fees, penalties, and protects your creditworthiness and financial reputation.

Here are key points to remember:

- Keep monitoring your account online. Set a reminder on your phone to login at least once a month to monitor spending, transfer money, pay off credit cards/loans, etc. This is also smart to do in case your account was compromised by a hacker.
- Sign up for bank transaction alerts and low balance warnings via email or text.
- Check your balance before withdrawing cash at an ATM, making big payments, or writing a big check to avoid overdraft fees.

Managing Your Bank Account - Best Practices

- Money you deposit may not be immediately available. Don’t assume it is. There may be a "hold" on the funds, resulting in a delay. Always login to check when it will be available.
- Online payments are processed quickly. Only make online payments with money that is already in your account.
- Payments and withdrawals from your account may not always be processed in the same order as you do them. That is why you must check the balance before making new transactions.
- You can give an order (“standing order”) to the bank to pay your regular bills, such as rent, utility bills, and subscriptions. Keep track of when these will be paid. Make sure there are enough funds in your checking account for these “automatic payments”.
- At the end of every month, prepare a bank reconciliation statement for your own records (we do this in a Google Sheet).

How Bank Reconciliations Work

EXAMPLE: If you open a bank checking account and deposit $100 into it, and you made debit card payments for $60 and you withdrew $10 from an ATM, and deposited a check for $20 on the last day of the month ("statement cycle"), how much would you expect your bank account to have at the end of the month?

$100 - $60 - $10 + $20 = $50

But when the bank statement comes you will find this may not always be the case. What is the difference? That is what a bank reconciliation is supposed to tell you.

With a bank reconciliation, you are reconciling the account balance as per the bank statement (on the statement date) with the record of your transactions and balance from the previous period. In a business, this would be the "cash book" of the accounting records.

Items in a Bank Reconciliation Statement

What accounts for differences? Frequently, it may be due to one of the following:

- **Bank fees, bank charges, or other deductions** (including interest on overdrafts)
- **Deposits not realized -** A check you deposited having some hold or delay.
- **A returned check** from among those you deposited (not enough money or some technical issue, like wrong signature, etc.)
- An unaccounted for **direct deposit** into your account such as a gift or a loan repayment by a friend, etc.
- **Unpresented checks** are when someone has not yet cashed a check you paid them.
- **Errors in your books** or **Errors by the bank** can happen too, which is a great reason to do a bank reconciliation every month.

Use the formula given on the next slide to make a bank reconciliation statement.

Making Your Bank Reconciliation Statement

Bank Reconciliation for My Bank Account [number:yyyy] for month ended xx/xx/xxxx	
Credits (money additions) and Debits (money deductions)	**Amount**
Balance as per your bank records (NOT the bank statement. After every statement, create an ongoing reconciliation statement and get this figure to match with your bank statement figures.)	XXXX
Unpresented checks (list and total them up if there are many)	XXXX
Other credits directly into your bank account (say your aunt deposited $100 as a birthday present but did not tell)	XXXX
Deposits in transit/not realized (due to some hold, delay, or bank holidays, or you deposited on statement day, etc.)	XXXX
Overdraft debit (A payment made with insufficient funds in your checking account causing an overdraft fee and interest.)	XXXX
Other items (This is usually made up of various bank charges, fees, penalties, etc)	XXXX
Balance as per the bank statement	xxxx

Keep Track of Bank Fees and Bank Charges

Americans lose many hundreds of dollars every year to unnecessary bank charges. Some of these may be avoidable. Others not so much. But in the end, all of them add up!

Bank fees, bank charges, or other deductions include the following:

Each may vary by bank and by types of account.

- Monthly fee your bank charges for the checking account.
- Minimum balance fee - if you fail to maintain the minimum balance.
- There may be an out of bank network ATM fee.
- Bank overdraft fee when you overdraw the balance by writing a check exceeding the balance in your account. There are fees for authorized overdrafts and penalties for unauthorized overdrafts.

Chapter 2: Saving

Financial Goals

A **financial goal** is an outcome you are trying to achieve.

You can have financial goals for **earning, spending, saving, and investing** (wealth creation).

You can divide your financial goals according to time:

- Short term financial goals
- Medium term financial goals
- Long term financial goals

Let's look at some examples...

Examples of Financial Goals

Financial Goals	Type of Financial Goal	Short-term	Mid-term	Long-term
I want to build up an **emergency fund** by the end of this year.	SAVING	x		
I want to **cut down monthly expenses** by 10% or spend $100 less on food/groceries.	SPENDING	x		
I want to earn $Z a month (or get a job paying $Z x 12 months).	EARNING		x	
I want to **cut down on my credit card debt** by $500 within the next six months.	SAVING	x		
I want to **save money to buy a house** in 5 years.	SAVING			x
I want to **start a business** in 2 years after finishing college.	SAVING, SPENDING, & EARNING		x	
I want to get a student loan and complete college within 3 years.	SPENDING & CREDIT		x	
I want to **pay off my student loans** by the time I am 35.	SAVING & CREDIT			x

Why Should You Save?

People save for all sorts of reasons. Here are some great reasons why you should learn to save:

1. Saving helps you become financially independent.

For many people, their dreams remain dreams because they don't have enough savings.

With savings, you can take a vacation, buy a home, or spend on an expensive gift without wondering how to pay the bills next month.

Saving brings you financial freedom and freedom from worrying about money. People who have borrowed money (loans, credit cards, etc.) would need to save more in order to pay off their debts.

Why Should You Save?

2. Savings help you become financially secure and help you make it through difficult times.

Emergencies, accidents, job loss, sickness… These all can happen to anyone!

For those living paycheck to paycheck, such events can be devastating. How will you pay the mortgage or make car payments? These are real worries with drastic consequences such as bankruptcy.

Savings can be a buffer to protect you and your family in difficult times.

> **"Smart financial planning - such as budgeting, saving for emergencies, and preparing for retirement - can help households enjoy better lives while weathering financial shocks. Financial education can play a key role in getting to these outcomes."** — Ben Bernanke

Why Should You Save?

3. Save money on what you buy, sometimes as much as 50%.

Things you buy on “easy payment” terms or what sellers call "interest free" credit are always priced to include that interest. Don’t fall for the TV commercials promoting owning a new couch for just $19/mo payments. You will actually pay more with such offers because of interest and because you are paying more over a longer period of time.

That $1000 couch can become a $2000 couch after 3 years of “easy payments”. So if you saved the money upfront for that $1000 couch to be paid for all at once, you will save a lot of money!

Everything you buy becomes cheaper if you have savings.

> **“The idea of recklessly spending money - even though it sounds like it's lots of fun, it's fashion - isn't interesting to me. It is a business.” — Kate Spade**

Why Should You Save?

4. Saving helps you get out of debt and stay out of debt.

"Debt is a dream killer." - **Kerry Hannon**

Debt takes the fun out of living.

If you get used to borrowing, your debts can grow and grow before you know it. For example, buying on a credit card and paying the minimum payment each month adds to debt till it becomes a mountain. Paying off big credit card bills and other loans is difficult if you do not learn to save.

Having some savings will also help you avoid falling prey to payday lenders and other predatory lenders who are waiting to make money off desperate people's need for immediate cash.

3 Big Reasons Why People Save

There are many reasons (financial goals) why people save. The most common reasons are:

1. **Saving for an emergency fund**
   Your first savings should be channeled towards an emergency fund. This is the money you will draw on only in case of sickness, job loss, or other emergency.

2. **Saving for large purchases or important life events**
   You need savings to buy a house, a car, to start or invest in a business, to get married or to have a baby. Big purchases can be for goods or services, such as an overseas vacation.

3. **Saving to build wealth and for financial security**
   Saving must begin bit by bit. A little bit saved each month can create wealth over time.

"Spending money is much more difficult than making money." —Jack Ma

How to Save for Your Emergency Fund

"40% of Americans would struggle to come up with $400 for an unexpected expense." ~ CNBC

1. **How much? $500 for a young adult** (in your early 20s) is a good start.
   As you grow older, and get into full time work and start a family, it will need to be higher.

   Rule of thumb: 3 to 6 months of living expenses should be in your savings account.

2. **Don't have an emergency fund yet? That is okay. Begin saving today!**
   Get started with a little something. Keep adding to it every month and you will end up with an emergency fund. Save it strictly for emergencies. Don't withdraw on impulse.

3. **Where to save my emergency funds?** A savings account is best. A bank account that lets you access funds in an emergency with no penalty. Try to find one with a high savings interest rate (we use Ally.com).

Saving for Large Purchases & Important Events

How much you need depends on what you want to buy.
People save to buy a house or a car. You can save to start your own business. Some save for their wedding, for a world tour, or to have a baby.

Keep a target date in mind.
Having a target date keeps your dream alive and makes it real. It will help you stay motivated to save a bit more each month. A dream can also help prevent you spending on unnecessary things.

Save bit-by-bit, every month, putting away part of your savings into a separate savings account.
Banks allow more than one savings account. Create multiple for your various goals and name each accordingly! Don't mix it in with your other savings. Do not draw on this for any other reason than what it is meant for (i.e. your honeymoon fund, house downpayment, etc.)

PRO TIP: Automatic Savings

Build this savings amount in to your monthly budget, making it look/feel like a **REQUIRED** bill that you have to pay every month. Otherwise you may be tempted to spend the money that is available in your checking account.

Most online banks have the option to set up **AUTOMATIC** withdrawals from your checking account to your savings account as often as you want (i.e. withdraw $100 from your checking to your savings the day after your job makes its bi-monthly paycheck deposit into your checking account.)

Saving to Build Wealth & Financial Security

- Saving must begin slowly. Rome was not built in a day, neither will your savings account.
- Beginning to save early is very important because a little bit saved each month can create immense wealth over time. We learn how this works later in the course.
- Money that you save must be quick and easy to access, have little or no risk where it is, not be subject to penalties, and have the least amount of tax liability for you.
- Banks and financial institutions offer a variety of different savings options:
    - Regular savings and smart savings (with higher interest)
    - Certificates of Deposits (CDs)
    - Money market accounts
- Savings interest rates average around 1% Annual Percentage Yield (APY). So if you have $2,000 in your savings account, you will get $20 interest per year for doing nothing ($2,000 x 0.01 = $20 savings interest).

Value Tips for Saving

- Many online banks (i.e. Ally.com) offer higher interest rates than your local brick-and-mortar banks and credit unions. It is best to study and compare interest rates before opening a savings account (which can be different than your checking account). Typically we suggest keeping your checking account with a local bank that has local ATMs and a local branch to make check deposits at if needed.
- The higher the interest rate, the more you will earn in the long term.
- Always try to beat your savings goal each month by depositing extra income (gifts and bonuses) and try saving more from every paycheck, even if it is $5 or $10 at the beginning. It will add up over time (as we will learn in Chapter 7: Investing & Retirement).

Value Tips for Saving

- Open more than one savings account.
- But ensure that you stick to their terms (minimum deposit, number of withdrawals, etc.) to minimize or eliminate bank fees.
- **EXAMPLE:** Our savings account terms for avoiding a $5 monthly bank fee are:
    - $300 minimum daily balance.
    - A monthly automatic transfer of $25 or more from your linked checking account into this account.
- Keep saving for longer term goals in savings accounts with a higher minimum balance and higher interest rates. Let the account balance grow over time.

Chapter 3: Budgeting

An Introduction to Budgeting

- People who don't budget are compelled to live paycheck to paycheck. That is a place you do not want to be. That is why budgeting is so important and is a key element of financial literacy.

- **Budgeting is simply a plan for your earnings, savings, and spending for a given time period.**
- Budgets are necessary because we only have so much money to spend (or save).

- A budget is like a guard rail to keep you "within budget". It helps you live within your means.

- A budget keeps you from falling off the path leading to achieving your financial goals.

3 Key Elements of a Personal or Family Budget

The 3 elements of a personal or family budget are:

- Earnings/Income
- Savings
- Spending

When you were younger, you may have received an allowance and had plans on how to spend it or save it. That plan was your budget. Unless you could persuade your parents to give you more money, or found opportunities to earn money, doing chores or baby sitting, your weekly allowance was all you had.

When you get a job (or start a business) and begin earning a regular income, there is an earning element as well. Then your budget has to be about earning as well as saving and spending.

> **"When you understand that making, saving, and spending money is all based on the thoughts you're thinking and the actions that these thoughts lead to, you can completely transform your reality - and your bank account." — Jen Sincero**

Are You Ready to Budget?

A SHORT EXERCISE:
Take a few minutes to list down the amounts you earned, saved, and spent during last month.

- **Your Earnings/Income:** If you do not have a job, note down how much you got from your parents as an allowance or earned from doing odd jobs and helping others.
- **Your Spending:** Specify what you spent your money on last month. The next slide lists the common expense categories.
- **Your Savings:** How much did you put into your bank account last month? Alternately, how much did you save from your entire month's income?

Common Expense Categories

Try to put each of your expenses into these categories. Create new categories if you wish.

Housing (mortgage payments, rent, property taxes)	Automotive (car payment, insurance, gasoline, repairs & services, DMV registration)
Utilities (electricity, gas, water, sewage)	Loans (personal, student, financing loans)
Amenities (phone, internet, and other subscriptions)	Clothing and accessories
Medical (insurance, bills, prescriptions)	Taxes
Food and groceries (including food, dining out, take out, pet food, household items)	Personal grooming and health (hair, nails, personal grooming products and services, gym subscriptions)
Entertainment (gifts, outings and activities, subscriptions such as movies and streaming)	Other expenses (what you spent on gadgets, games, apps, and other expenses)

Where Did Your Money Go?

- If you are like most people, you do not have a clear idea (or any idea) where a lot of your money went.
- Even if you said *"I spent $x on food and $y on clothing and accessories and $z on groceries"*, these are mostly guesses aren't they? It is a very rare for a person to know exactly how they spent their money.
- That is the reality. But being able to say where your money went is essential for good budgeting.
- **You cannot manage your money if you don't know where it went.** If you have no idea whether your expenses were necessary (like basic food and clothing) or unnecessary (but fun) like eating out or splurging on items you really don't need, then you cannot manage your money effectively.

Beginning to Budget

The first step to budgeting is to write down all your daily expenses. Once you begin tracking these expenses, you are in a better place to actually draw up a meaningful budget for next month.

From today on, make it a point to note all your spending, however small. Use a book, or an app or a digital file (again, we create our monthly budget using Google Sheets, which is easy to access from mobile/desktop). That is your first step towards effective personal budgeting.

"What gets measured, gets managed." **— Peter Drucker**

Tracking your spending carefully will give you many insights about what changes you may need to be better at managing your personal finances. Similarly, list your income and how much you save each month.

The Traditional Budget Formula

When you take your income and deduct your expenses from it, you end up with savings.

Your Earnings (Income) − Your Expenses (Spending) = Your Saving OR Addition to Debt

However, if in any month you spend more than you received during that month, that means you did the opposite of saving. You went into more debt that month.

A Saving-Focused Budgeting Formula

The traditional budgeting formula does not help people save money. What really happens is that they save nothing at the end of the month or they go into more debt.

This is because saving is just an afterthought in the traditional method. The focus is on spending. This may seem difficult at first. But if you are serious about saving money, this is the way to go…

To take saving seriously, we need a different formula.

Here's why the savings focused formula is important and why it follows this advice:

"Don't save what is left after SPENDING, but spend what is left after SAVING." **- Warren Buffett**

Steps in the Budgeting Process

Here are the steps to use with the savings-focused budgeting formula.

1. **Total your monthly income** - Add up everything including paychecks, gifts and savings account interest.
2. **Add up your fixed costs** - Monthly costs including utilities, rent, phone & internet, loans, credit cards & subscriptions. These are amounts you **have to** pay every month without fail.
3. **Add up your savings for financial goals** - For the emergency fund, education, car or home purchase, holidays and travel, extra savings to reduce credit card debt, etc.
4. **Factor in other expenses -** Includes expenses like insurance, taxes, and other irregular payments such as car repairs, birthdays, etc. Take a cue from last years bank statements.
5. **Add up your flexible spending -** Find the average over the last three months of what you spend on food and groceries, shopping for clothes, fuel, fun money, etc.

The Savings Budget Formula

This is a savings oriented budget formula:

Your Earnings (Income) — Your Fixed Costs + Expenses + Savings = Your Money Left for Spending or more Saving

Money left can be used for flexible spending or more savings. For a lot of people this may be too small of a number, considering their current lifestyle and spending patterns. That is why you need to budget and save so you can get to a place where you begin living within your means!

Online Budgeting Tools

- There are many personal finance and budgeting apps online. We suggest and use Mint.com
- Start with a free version. Some come with a subscription and can be linked to your bank accounts. Others merely help you record and manage your expenses.
- Again, you can just stick to a notebook or Google Sheet. There is nothing wrong with that. It is not the technology that matters. What will keep you on the right path is your commitment to live within your means, avoid unnecessary debt/spending, and focus on reaching your financial goals.

Chapter 4:
Credit & Debt

Chapter 4: An Introduction to Credit & Debt

In this chapter we discuss the following, among other things:

- We are immersed in an economy full of people in debt!
- What is debt? Is debt an essential tool?
- Debunking common myths about debt.
- Being responsible with credit cards and credit card value tips.
- Credit scores and how they work, including the components of a FICO Score.
- Credit bureaus and their role.
- Understanding your credit report.
- Identity theft and identity fraud, warning signs, protecting yourself and what to do if you become a victim of identity theft.

We 🧡 Debt

Most people think of getting into debt when they are faced with three key decisions: going to college, buying a car, or buying a house. The other big challenge is credit card debt!

usdebtclock.org → The US national debt is over $28 trillion!

The average personal debt is $92,727

The overall debt figure includes credit card balances, student loans, mortgages, and more.

Student loans	Credit cards	Personal loans	The rest is made up of...
$38,792	$5,315	$16,458	mortgages & other types of debt

Source: Bankrate.com

What is Debt?

A debt means an obligation to pay.

- **When you borrow, you are are bound to pay.** You are tied by this obligation. There is no other choice than to pay. Otherwise the consequences are serious, such as bankruptcy.
- **Debt is a dream killer.** Taking on debt too early in life limits your options and your freedom.
- **It creates financial stress.** And relieving that stress requires paying off debt.
- **As a financial tool, debt is a double edged sword.** Learn to handle it with care. That is the safest attitude to adopt when thinking about debt. Not all debt is bad, as you can use debt to leverage your buying power for income producing assets (i.e. buying a Starbucks), but for the purpose of this entry level personal finance course, most debt you will experience is not good.

Is Debt an Essential Tool?

- That is what we've been told. One reason we should take on debt, we are told, is so that we build a credit score. This is not essential, especially if you are eyeing the prospect of student loans. The reality is that our addiction to debt is the result of very effective marketing by lenders and credit card companies.

- Remember that debt is not a service or a reward we are given as consumers. You just need to take an entirely different perspective from the world of myths that try to make us believe we cannot live without getting into debt.

- You don't need debt to be successful in life. You can live debt free. If you need to, be very cautious about the debt you take on. Think hard and act smart if taking on debt. Any debt!

Debunking Common Myths About Credit

These myths are dangerous. Believing in them can get you in deep financial trouble. So debunking these common myths about credit is a critical part of financial literacy. Here they are:

1. You need to build your credit score.
2. Students can buy whatever they want during college and pay for it later when they begin earning from a job.
3. A credit card helps you build credit.
4. You are helping by loaning money or co-signing a loan for a friend or a relative.
5. Payday lending and cash advances are necessary services.
6. You need a new car.
7. Car payments have becomes a necessary part of life.

Myth 1: You Need to Build Credit

Here's how the myth goes:
You need to build your credit score. For that you need debt.

- Of course lenders want you to believe this because their businesses would collapse otherwise! But you don't need to build credit or go into debt to survive.
- While staying entirely debt free may not be realistic, it is worth trying to minimize debt so you use it only when you really need to get a loan or a mortgage.
- Otherwise, instead of debt being a useful financial tool, you end up becoming a tool to debt. That is not a good place to be.
- If you really want to build up your credit score, I suggest getting a great "rewards" credit card (we use the Chase Sapphire Reserve) and put all of our fixed expenses on it each month that we have already budgeted for and automatically pay off each month. This way I can earn points (money for flights, etc.) for my set monthly expenses that I had the budget for already.

Myth 2: Students Can Spend Whatever

Don't fall for this myth even though the benefits of a degree are undeniable. There is no such thing as a consequence-free student loan. You still have to pay it eventually, so this is not free money.

Many people are stuck in jobs they don't love so that they can pay off student loans. Here are some facts about people who took student loans:

- 30% of student loan borrowers drop out of college and have to pay back their student loans on a high school graduate's salary. (Source: WashingtonPost)
- It may take between 10 to 30 years to pay off your student loans. Standard Repayment Plan for federal loans say you'll complete payments in 10 years. Most borrowers take twice as long. (Source: Bankrate.com)
- A poll of 2,200 adults found that the average participant took 18.5 years to pay off their student loans, starting at age 26 and ending at 45. (Source: CNBC)

Myth 3: A Credit Card Helps you Build Credit

36% of U.S. college students already have more than $1,000 in credit card debt. (Source: CNBC)

- Yes, it is true you can build a good credit profile if you are responsible with your credit card and use it wisely, paying your credit card off monthly (or before the due date). For the majority, however, the opposite is true. They don't act responsibly with credit cards and end up messing up their credit even before they apply for a loan, or a rental, or a mortgage on a house.
- **To build your credit score,** link a credit card with your bank account and use it to buy things that you then pay off immediately (or better, before you get hit with an interest bill on that amount. That is within the month, or before your credit card bill date.) Doing this will improve your credit score with no debt at all.

Myth 4: You are Helping by Loaning Money

In reality loans can lead to straining or destroying relationships. And you may lose your money.

Co-signing a loan for a friend or a relative

- Bank ask for a co-signer because the person taking the loan is considered risky. If they are unable to or unlikely to repay, the banks want someone to pay it. That is what YOU become as a co-signer.
- Be ready to fork out the loan and interest if the other person doesn't. You will have to pay the loan or have your credit damaged (even without getting a loan).
- Avoid co-signing until you are older, financially secure, and can afford to pay off a loan without any stress. Until that time, when someone asks you to co-sign or borrow money, be firm, say no, and explain you cannot afford to take the risk.

Myth 5: Payday Lending and Cash Advances

- It is a very common myth that payday lending and cash advances are necessary services for lower income people to help them pay bills or get ahead.
- In truth, payday lending, cash advances, and other "services" like rent-to-own, are rip-offs by predatory lenders.
- Try not to get to a place where you are desperate enough to need these services. Some expenses can be put off with some patience and savings! Enrich yourself, not lenders.

"Lenders, including major credit companies as well as payday lenders, have taken over the traditional role of the street-corner loan shark, charging the poor insanely high rates of interest." — Barbara Ehrenreich

Myth 6: New Car

Myth 6: You need a new car.

- No you don't. You need a way to get from one place to another. In many places across America, the best option to get to school and work is a car (our public transit is getting better though). But you don’t need to get into huge debt for a car.
- Using your budget and savings either buy a used car for cash or have the used car loan included in your monthly fixed cost budget.

Myth 7: Car Payments

Myth 7: Car payments have becomes a necessary part of life.

- Not true. You can buy a reliable used car if you don't have money for a new one. It saves money and spares you the stress that comes with a big monthly car payment or car lease.
- It is worthwhile paying cash for your car because you instantly lose money when you purchase a new car (depreciation).
- This is okay if you are rich (with a net worth over $1 million). But not otherwise. Is it worth buying a new car, going broke, and living paycheck to paycheck? It is not! But people with new cars and the financial stress due to car payments won’t tell you that though!

Don’t Fall for These Myths

- Don't fall for these well-marketed myths. Try avoiding debt whenever you can.
- Save for an emergency fund. Then save for your large purchases. SAVE SAVE SAVE!
- Beginning to earn and save early in life can help you live as debt free as possible. This is especially relevant if your parents are unable to help finance college, car, or other big items.
- Being financially responsible means making all decisions about money CLEAR and with a PLAN in mind.

Minimize debt as much as possible and live within your means!

Be Responsible With Credit Cards

When you get a credit card, the credit limit (amount of money you can spend that you don't have) can give you a feeling of POWER and that you can purchase things without paying for them. But the reality is, you have to pay for every dollar you spend.

- **Responsible credit card use** has the same things in common with being responsible with money. Buy only what you need. Spend on only what you need.
- **Remember to regularly pay off each month's bills.** If you don't, you will end up collecting interest on your credit card debt, which will grow into a mountain before you know it.
- **Don't just pay the minimum payment.** Most credit card companies expect you to and encourage you to do just that because it is good for their business. It is really bad for you because then you end up getting more and more into debt. Try to NEVER use your credit card unless you have the cash ready to pay it off yet that month.
- **Avoid starting multiple credit cards.** Every store will offer you one, but stick with one high points/rewards card only (i.e. Chase Sapphire or Capital One rewards credit cards).

Credit Card Value Tips

- **Keep track of credit card spending.** Establish limits. Know when to stop. Spend only what you can easily pay back.
- **Use your credit card as an interest free loan and rewards creator.** Just make the full payment within that monthly period. Then you are using the credit card for convenience and rewards, rather than for credit.
- **Avoid product offers for paying in easy installments.** All of them are priced to include the interest for the delayed payment. You are on average paying over one third more compared to buying in cash! Try save money for big purchases instead of using credit cards.
- **Sometimes credit card companies increase your credit even without you asking for it.** Watch out for this! You can end up building a mountain of debt without even realizing it.
- **If you are a student with credit card debt**, your first goal should be to stop your credit balance from going up. This takes discipline! Your goal is to bring that balance down every month and eventually pay it off.

Credit Scores & How They Work

What is a Credit Score?

- A credit score is a three-digit number (between 300 and 850), that represents your creditworthiness and/or credit risk.
- Anyone wanting to give you a loan can look at your credit score and decide how likely you are to pay your bills on time.
- The higher your credit score, the better you will look to potential lenders, and the better your chances of getting a loan.
- **A credit score is based on your credit history,** which includes the total number of open credit accounts, total amount of debt, your repayment history, and various other factors.

FICO Scores

- The most used credit scores are FICO Scores. 90% of lenders use FICO Scores to make lending decisions.
- Your FICO score is calculated based only on information in your consumer's credit reports by the credit bureaus, Experian, TransUnion and Equifax.
- Your information is compared with thousands of past credit reports to calculate your FICO Score.

Credit Bureaus

- **Credit bureaus are** agencies that researches and collects individual credit information and sells it to creditors for a fee. Creditors can use that information to make decisions on granting loans.
- The three main credit bureaus are: **Experian, TransUnion, and Equifax**
- **Clients of credit bureaus** include banks, credit card companies, mortgage lenders and other companies.
- **Time limits:** Information on individual accounts are removed from your credit report after **seven** years. The exception is Chapter 7 bankruptcies, which remain for 10 years.
- **Don't fall for credit clean-up scams.** They cannot remove any information from your credit report legally. The only things they can remove from your credit report are inaccuracies.
- You are entitled to one free copy of your credit report every 12 months from each of the three large credit reporting companies.

What is a Credit Report?

"A credit report is a statement that has information about your credit activity and current credit situation such as loan paying history and the status of your credit accounts."

- Consumer Financial Protection Bureau (CFPB)

- To get a free copy of your credit report, be ready to give your name, address, social security number, and date of birth to verify your identity.
- The only true annual "Free Credit Report" (per the Federal Trade Commission) is via:

AnnualCreditReport.com

What Are Credit Reports Used For?

Banks, credit card companies, other lenders, various service providers, and potential employers use consumer credit reports for a variety of purposes.

- **Lenders** use your credit report…
  - To help decide if they will loan you money.
  - To decide on the interest rates they will offer you.
- **Businesses** will check your credit report to decide whether or not to offer you insurance, rent you a home, provide utilities, internet, or cell phone service.
- **Potential employers** may use your credit report to make employment decisions about you. You will first need to agree to let an employer run your credit report.

What is Included in Your Credit Report?

Credit reports often contain the following information:

- **Personal information** - Name, past/current addresses, birth date, Social Security Number, phone numbers, etc.
- **Credit accounts** - For each the report would contain:
  - Current and historical credit accounts, including the type of account (i.e. mortgage, credit card, etc.)
  - Creditor name, credit limit, open/close date, account balance, and payment history.
- **Public records** including any liens, foreclosures, bankruptcies as well as civil suits, judgments that apply to you, overdue child support, etc.
- **Inquiries** - A list of organizations that have accessed your credit report.

Identity Theft and Identity Fraud

"Identity theft and identity fraud are terms used to refer to all types of crime in which someone wrongfully obtains and uses another person's personal data in some way that involves fraud or deception, typically for economic gain." - US Department of Justice

Most Common Ways That Identity Theft or Identity Fraud Can Happen to You

- Someone can watch you enter your credit card details or listen as you give them over the phone or enter your PIN at the ATM.
- If you throw away "pre-approved" credit cards that come in the mail with your personal info that comes with it (shred all bank related mail).
- When you respond to an unsolicited email asking for identifying data, or click a spam link, or give information over an unsecured website.
- You keep your passwords and PIN written down for your debit card in an unsecured location.
- Criminals hack into company databases (like the places where you shop online) and use computer technology to steal your personal data.

What Thieves Can Do With Your Information

With enough identifying information about you, someone can take over your identity and...

- Charge your credit cards to make purchases of goods and services. Your charges may be declined, your card may go over limit, and you will be responsible for penalties. Your credit card may be cancelled as a result.
- Make false applications for loans and credit cards in your name. These may result in your credit score being lowered. Correcting this is difficult!
- Make fraudulent withdrawals from your bank accounts. You lose money and hurt your credit.
- Use/create online accounts with your personal data. There is an unlimited amount of damage hackers can do with access to your various accounts (i.e. your bank account login). Create a new password for EVERY service/website you use online. Use a secure password storage like 1password.com
- Gain access to goods, services, and privileges that you are paying for.

Warning Signs of Identity Theft

Here are some warning signs that you have had your identity stolen:

- Checks missing from your checkbook.
- Bank and billing statements do not come on time or are missing altogether.
- Unauthorized charges appearing on your cell phone, credit cards, and bank accounts.
- Accounts you did not open begin appearing in your annual credit report.
- You get calls from collection agencies about debts you know nothing about
- You get bills from accounts you never opened.
- You are turned down when applying for a loan, mortgage, or other credit cards due to a bad credit report.

How to Protect Yourself from Identity Theft

- Be very careful with your personal information.
- Destroy/shred credit card offers and any documents that contain your personal information.
- Make it a habit to check your credit report annually.
- Keep your passwords and personal information confidential. Do not write your Social Security Number or driver's license number on anything that could be shared (i.e. checks, applications, etc.)
- Do not use the same passwords with different accounts on websites/apps.
- For online transactions use strong passwords that combine numbers, letters, and characters.
- Do not keep your PIN number written with your debit card.
- Always sign the back of your debit/credit card with "Photo ID Required".
- Consider purchasing identity theft protection and virus/malware protection for your computer.

If You Become a Victim of Identity Theft

- **Call the companies where you know the fraud occurred.**
  - Contact their fraud department and explain that someone has stolen your identity. Request they close or freeze your accounts. This prevents any new charges without your agreement.
  - Change logins, passwords, and PINs for your accounts. Use very strong passwords.
- **Place a fraud alert (its free) and get your credit reports.**
  - Contact one of the three credit bureaus. And they are bound to tell the other two. Experian.com/fraudalert | TransUnion.com/fraud | Equifax.com/CreditReportAssistance
  - A fraud alert will make it harder for someone to open new accounts in your name.
  - Ask for your free credit reports from Equifax, Experian or TransUnion. Visit annualcreditreport.com. Review reports and highlight accounts or transaction you don't recognize. Use this info reporting to FTC and police.
- **Report identity theft to the Federal Trade Commission (FTC).**
  - Including as many details as possible. Go to IdentityTheft.gov or call 1-877-438-4338. They will create your Identity Theft Report and personal recovery plan.
- **You can also file a report with your local police department.**

Source: https://www.identitytheft.gov/steps + https://www.justice.gov/criminal-fraud/identity-theft/identity-theft-and-identity-fraud

Chapter 5:
Education & Careers

21st Century Education and Career Options

The United States is a knowledge-based economy. Today higher education means more opportunities and better career options.

A college education is the quickest pathway to a rewarding career. This is why people invest time and money in a college education.

In the US, career options are declining for those who have not made it past a high school diploma. High school grads who don't go to college typically work in the service field. Most of these jobs are low paying and offer no advancement opportunities. Of course, there are exceptions and successful entrepreneurs, but the highest percentage of secure, great paying jobs require a college degree.

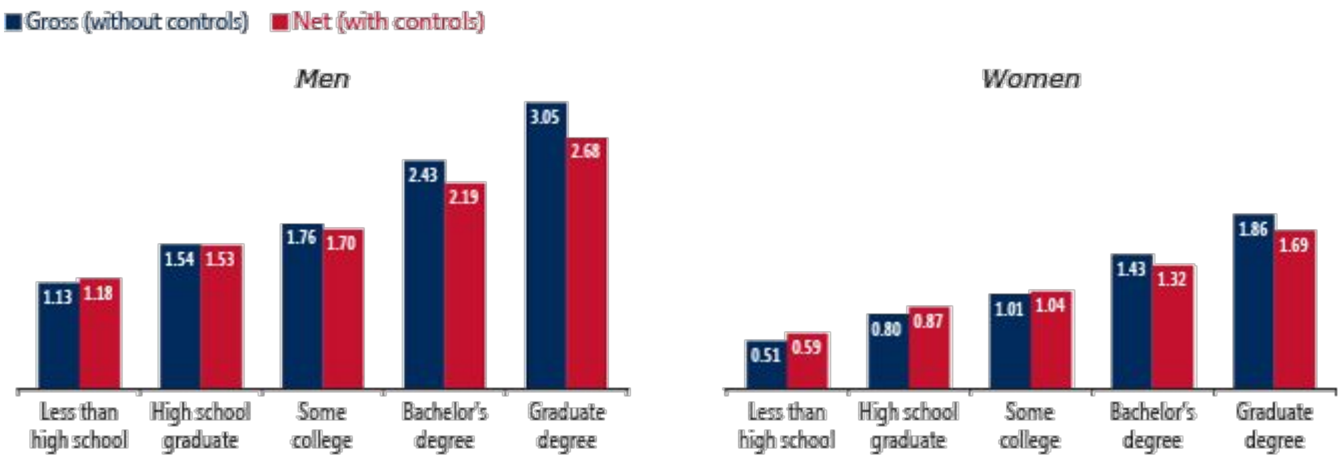
What Higher Education Gives You

- **A higher education will train you in your chosen field** and helps you become a professional.
- **You also learn transferable skills** which are useful in other fields and careers.
  - You'll learn new subjects, how to think analytically, and communicate effectively.
  - You'll learn how to be organized, self-disciplined, and self-starting.
  - New and unexpected opportunities may open up to you that may not have been within your reach if you hadn't received a higher education.
- **There is a skills gap right now** among our workforce, with a demand for technology related jobs. A higher education opens up opportunities in new careers for those with the right skills.

Benefits: Your Education and Your Income

There is a clear relationship between your level of education and your lifetime earnings.

https://www.ssa.gov/policy/docs/research-summaries/education-earnings.html



Your Education and Your Income

Data from the Social Security Administration shows that:

- Men with bachelor's degrees earn approximately $900,000 more in median lifetime earnings than high school graduates.
- Women with bachelor's degrees earn $630,000 more.
- Men with graduate degrees earn $1.5 million more in median lifetime earnings than high school graduates.

Isn't that a great reason to explore your future, finding post-secondary educational prospects, and exciting potential careers?

"An investment in knowledge pays the best interest." – Benjamin Franklin

https://www.ssa.gov/policy/docs/research-summaries/education-earnings.html

A Higher Education is Not Just About Income

- **It also means better physical and mental health.**

- **Better physical health is one benefit of a higher education.** The more educated you are, the more likely that you make healthy choices when older. Better earnings give you means to buy healthier food and make better healthcare choices. Education levels make a long term difference in your overall health.

- **Improved mental health.** Education improves how you view yourself and your outlook on the world. Higher education leads to higher self-esteem and confidence. Studies show that engaging your brain slows down the aging process. This means that seeking educational opportunities later in life are beneficial to your overall well being.

Other Benefits of a Higher Education

- **Education is a door opener.** It can make a difference in the job or career you go into. Many companies do not hire people without a degree or certificate, even at entry-level. People without degrees are at a disadvantage when it comes to career advancement.
- **Cultural exposure.** You get to meet people from various cultures and backgrounds and increase your knowledge of diversity in our world. Exposure to new ideas may challenge your beliefs and preconceived thoughts about the world. Challenging your beliefs through meeting people with different ideas may make your beliefs stronger or lead you to change your beliefs.
- **Diverse life experiences.** Education opens you up to new experiences that improve your overall quality of life.

"If you are planning for a year, sow rice; if you are planning for a decade, plant trees; if you are planning for a lifetime, educate people" - Chinese Proverb

Finding the Sweet Spot

Your dream job or dream career lies at the intersection of:

- What you love (your passion).
- What you are good at (your skill sets).
- Your purpose and values (and what the world needs).
- Where the demand is (what you can be paid for).

It is important to find a job and career that you can pursue with passion. It should be in line with your strengths, personality, personal skills, and interests.

Doing what you love may not always be possible. **But everyone can try to love what they do.** It is important to persist in a new job or career path search until you can find one that is a good fit and that you are also passionate about.

A Few Points on Career Choices

There is no one “right path” or “right job” when it comes to careers and jobs, just as there is no “one right person” for you as a life partner. You have a wide range of choices and a fixed set of life circumstances and personal preferences to deal with in choosing a job, career, or life partner.

Most people just happen on their jobs and careers. Very few people deliberately pursue a fixed path and become what they want to become. If you are not one of them, the best way to go is to get a higher education that opens up possibilities along a number of career paths. I was an engineering major, but now I am a business owner teaching students via Coursenvy.com!

Entrepreneurship is also a choice. While there are great examples of entrepreneurs who dropped out of college (Mark Zuckerberg and Bill Gates), a wiser choice would be to complete your college education and then start a business (or start a business while in college).

Financing Your Higher Education

According to a student loans poll by CNBC, of 1,000 U.S. adults ages 33 to 40...			
Average student loan: **$21,880**	Have paid it off fully: **32%**	Still paying 10 years later: **68%**	Percentage of older millennials who say student loans weren't worth it: **52%**

- Do you want to be in that 52% majority who say their student loans were not worth it?
- Your goal should be to research well, chose exactly what you need, and minimize your student debt as much as possible.
- Revisit Chapter 2 where we addressed the common myth about student loans: "students can spend money on whatever while in college and pay for it later once employed." This is a myth! Don't fall for it! Don't rack up debt in college simply because the loans are available!

Financing Your Higher Education Without Debt

- Try to finance your college education without going into debt. This is entirely possible, if you budget, save before college, and work during college!

- If you have to get a student loan, get the minimum amount that you need; nothing more. According to CNN Money, 2/3 of college students graduate with student loans.

Avoid these Top 10 Student Loan Mistakes...

Avoid These Top 10 Student Loan Mistakes

1. Borrowing too much money.
2. Not shopping around for the best interest rates.
3. Cosigning a loan without understanding the consequences.
4. Using your student loans for living expenses, parties, clothing, etc.
5. Taking private loans instead of federal student loans.
6. Missing opportunities to save money and earn money with a job.
7. Choosing the wrong repayment plan.
8. Postponing payments when it is not necessary.
9. Not updating your contact information with the lender.
10. Refinancing student loans without checking whether it saves money.

Do not pay a fee for changing payment plan, reducing monthly payments, student loan forgiveness and consolidating loans because all can be done free.

Paying for College Education With Cash

This is entirely doable, even if you are not from a wealthy family!

- **Think Smart and Plan Ahead.** Start today. Your parents and school counselors will help.

Going to College Plan:

- ACT and SAT scores and completing college applications are just the basics. You need to research the costs of your college education. How much will it cost to pay for tuition, books, housing, and living expenses until you complete college?
- How are you and your family going to pay for it?

Paying for College Education With Cash

Getting Good Grades is Key

- Work on getting good grades. They'll help you get grants and scholarships to finance your college. Learn more at this website: **Studentaid.gov**

Stand out from the crowd

- Your goal is to get great grades and score high on the ACT or SAT!
- Sports, volunteering, and other extracurricular activities are also key. They will demonstrate you are an all around balanced individual who can handle more than one thing at a time, which is also an essential skill for life.

Shopping Around for College - Top 7

1. **Narrow down your choices.** Start with a 10-20. Consider each school's programs, pros and cons, tuition, and living expenses. Narrow down your choices to 5 schools depending on your criteria and research.
2. **Don't fall for the prestige.** The most expensive does not always mean better quality. Although it may not be something you want to hear, the college you attend may not be the main reason for your future success, happiness, and prosperity.
3. **Look at affordability.** A low-cost community college for the first two years will cut down the funds you need for your freshman and sophomore years, then you can transfer to that "big name" university for your final degree!

Shopping Around for College - Top 7

4. **Transferability of credits.** Work closely with your academic advisor and ensure that the classes you take will transfer to the four-year university you plan to attend.
5. **State school vs private, out-of-state school?** This choice will make a huge difference in the affordability equation. In-State schools always cost less than a private school or out-of-state college.
6. **Your college sweetspot** lies at the intersection of schools you like (and the courses/programs) and the cost of the college education.
7. In the end, you do not want to be one of the 52% of student loan borrowers who say their loans are not worth it; or worse, among the one third that dropout of college due to financial trouble.

Finding a Scholarship for the Unique You

Do not think scholarships are just for those with high ACT or SAT scores.

- **Wide eligibility criteria.** Many schools and other organizations have broad criteria for scholarship eligibility. Your community involvement, extracurricular activities, after-school work, volunteering, and family financial status are also taken into consideration. Then there are the more traditional diversity and athletics scholarships.
- **A tip about scholarship essays.** Many applicants shy away from scholarship applications that require essays. DON'T! These essays help improve your writing skills. They are also a way to articulate your thoughts and worldview and present yourself as a worthy candidate for any scholarship (plus less people apply for these that require scholarships).

13 Useful Scholarship Resources

1. **Your state website** is a key resource. Also check out **Bold.org**
2. Check with your parents if their **employers have scholarships for employees' children**.
3. Check the **Federal government's student aid website**: studentaid.gov
4. **Fastweb.com** has over 1 million scholarships annually. Take the time to make a profile. There are scholarships specifically targeted to your strengths, interests, and skills.
5. **Niche.com** has an “Easy to Apply” scholarship tool that lets you filter opportunities that don’t require GPA, essays, or letters of recommendation, leading to super fast applications.
6. **College Board** has a scholarship search tool with information on over 2,000 programs.
7. **Edvisors.com** has a variety of unique scholarships in their different lists. Check out the “Weird and Unusual Scholarships” list, that may offer something that fits you.

13 Useful Scholarship Resources (contd.)

8. **Unigo.com** lets you approach scholarship search from many angles, including college, state and major. They host over $30 billion worth of scholarships.
9. **Petersons.com** scholarship search will match you with financial aid you qualify for.
10. **Chegg.com** has over 25,000 scholarships that you can search and save quickly.
11. **Scholarships.com** offers over 3 million scholarships and grants.
12. **Cappex.com** lets you sort scholarships by deadlines for applications making it perfect for planning ahead or even rushing in last minute essays.
13. **DoSomething.org** empowers young people to volunteer, engage in community service, and to transform their communities. Essays, GPA, or recommendations are not necessary. You can qualify for volunteer scholarships in minutes!

College is Not the Only Way to Success

A college degree is not for everyone and you can build a successful career without one!

- Today there are so many online and distance learning opportunities and part time work and study opportunities for those who cannot or do not want to spend four years in a college campus. Take the modMBA.com MBA alternative offered by Coursenvy!
- Your generation cannot expect to find life long jobs and careers. You are very likely to change your jobs and careers a number of times throughout your lifetime. Some jobs and careers that are here today may not even be there in a decade or more.

College Alternatives for You to Consider

There is no one-size-fits all plan for your post-secondary education. You can find many options that give you opportunities to follow your passions and achieve your life goals.

- **Trade Schools** allow you learn a professional skill in under 2 years. They are directly tied to the employment needs of a state or region. Employers look to trade schools for new hires often. Take **Lambda School** for example, they teach you coding for free and only take a percentage of your income for the first few years once they find you a 6-figure coding job!
- **Certifications** for specific skills can be obtained, either free or at low-cost certifications found online, through government funded programs or at community colleges.
- **An Associate's Degree** is a two-year degree with specialized training. These include a lower cost compared to four-year college and a schedule that enables you to work while attending the two-year college. Many career fields offer degrees at this associate level.

College Alternatives to Consider

- **Self-Education** methods are entirely up to you and there are many today that were not available in the past. You can educate yourself on anything by watching YouTube videos, listening to podcasts, or reading blogs, books, and magazines that teach your field. You can attend conferences online or join local events of interest. You can meet people, find a mentor, or attend online courses!
- **On-the-Job Training** enables you to train while you work the actual job.
- The **Military** isn't for everyone but by serving our country you can complete college debt free via the GI Bill, which pays all public school in-state tuition and fees.

Entrepreneurship

- **Starting your own business** may be the right choice for those with an entrepreneurial spirit and a money making idea! A lot of people that don't fit the "good" traditional student mold and make great entrepreneurs.
- Yes, there is always some risk involved. But you can reduce risk significantly by researching you business idea well, creating a solid business plan, and getting your finances organized.
- A debt-free business plan is best. Bootstrapping your business growth until you can secure an investor is key.
- You must have the ability to solve problems, a commitment to hard work, be a self-starter, have great people skills, grit, and a mental ability to withstand hard times to be an entrepreneur. A commitment to life-long learning will help as businesses need to continuously change and adapt.

10 Advantages of Entrepreneurship

Life of an entrepreneur can be incredibly rewarding!

If you cannot find a career sweet spot where the world needs something, you know how to do it, you have a passion for it, but can't find someone to employ you to do it, that is when you can become an entrepreneur and chart your own path!

These are 10 advantages of starting your own business.

1. A flexible schedule. You are off the "9-to-5 grind." You can focus on achieving results rather than clocking in time.

2. Autonomy of entrepreneurship directly translates to greater job satisfaction. Another perk of being your own boss!

10 Advantages of Entrepreneurship

3. Build your business to align with your values and passion. Can't find the right job for you? Create it.

4. Opportunity for constant growth and development. In business you must constantly keep extending your skillset and be ready to step out of your comfort zone. This is immensely beneficial for both personal and professional growth.

5. Networking allows you to meet many people. You will grow and expand your network practically every day. You will find it easy to connect with fellow entrepreneurs, professionals, and potential mentors. We personally love the Entrepreneur Organization!

6. You get to choose who you work with. You get to choose your clients and customers and your team members and even business partners.

10 Advantages of Entrepreneurship

7. Encounter unexpected and thrilling experiences. There is not a boring day in the life of a small business owner. It keeps you agile and ready to spring into action when necessary.

8. Boosts your self-confidence. Entrepreneurs have to make it in a competitive world that is forever testing them. Making it and conquering self-doubt teaches you confidence!

9. Leadership experience. Leaders must manage themselves, their work, and their people. Doing so with self-discipline, passion, optimism, patience, great communication skills and an unrelenting work ethic enhances your leadership ability.

10. You get the best “office”! Depending on what your business idea is, you can work from anywhere you like, on anything you like. No one dictates where you should work from.

7 Types of Risks an Entrepreneur Must Face

There are many benefits to becoming an entrepreneur. But business life is not all fun and games. Running a business takes hard work and commitment which deliver the benefits of happy customers and profits! Going into business means facing a number of risks. If you cannot handle risk, a life of entrepreneurship is not for you!

Here are 7 types of risk a small business owner must keep in mind:

1. Economic Risk comes from the constantly changing nature of the economy. Periods of growth (business booms) and recessions (economic downturns) alternate in cycles.

2. Compliance Risk comes from laws and regulations the business must comply with including federal and state laws. Non-compliance results in penalties and fines.

7 Types of Risks an Entrepreneur Must Face

3. Security and Fraud Risk can come from hacking, data breaches, identity theft, and payment fraud. These can happen to anyone, online or offline. But their likelihood increases exponentially when your business uses the cloud and your clients and customers are transacting (exchanging money) online.

4. Financial Risk comes from extending credit to customers or excessive debts and your inability to effectively manage your company's own debts. Currency and interest rate fluctuations can also factor into financial risk.

5. Reputation Risk comes from unhappy customers or former employees, product failures, negative press cover, or lawsuits. The widespread use of social media has amplified the speed of reputation risk because one unhappy customer can have an adverse affect on your business instantly!

7 Types of Risks an Entrepreneur Must Face

6. Operational Risk can come from from within, outside or a combination of factors. Unexpected events, customers, suppliers, employees, breaking downs of key equipment, power loss, fire, or natural disasters can cause you to lose your ability to continue with the business.

7. Competition Risk is the risk that your competition can significantly impact your business in an adverse manner. This can be due to actions of existing competitors, new entrants to the industry, pricing policies, technological changes, and cheaper/better alternatives to your products and services. Being on alert and being prepared to change are the keys to business survival.

Accept Risk and Plan for It

You cannot completely eliminate business risk, but proactive planning for it helps.

There are 4 risk management strategies: avoiding, reducing, transferring and accepting risk!

Entrepreneurship

Continue your entrepreneurship training in our modMBA.com courses!

Chapter 6:
Income & Taxes

Taxation - Background

In the US, people have to pay taxes on their income, consumption, and wealth. These taxes are the three economic bases that the government uses to pay for infrastructure and services we all benefit from, including public schools, military, social services, roads, and bridges.

When you begin earning, you become a tax payer. Your obligations as a taxpayer comes with interest and penalties.

- **The Internal Revenue Service (IRS)** is the federal government agency of the US government that is responsible for tax collection and enforcing tax laws.
- **Social Security Number (SSN).** Every US citizen over age 18 who receives income must have a SSN and contribute a percentage to Social Security (this includes retirement benefits and disability income).

Different Types of Income

- **Earned income** is any income (i.e. wages and salaries) people get by working. In the US, earned income is taxed at the highest rate (more than any other type of income).
- **Capital gains (or portfolio income)** is income from selling an investment asset at a higher price than you bought it at (such as stocks or real estate).
- **Passive income** refers to money earned on a regular basis with little effort used to maintain it. This includes things like real estate, intellectual property like movies, books, music, or internet content that generates passive income.

However you earn an income, that income will be subject to income tax.

Your Obligations as a Taxpayer

- **You are liable to pay both federal and state income taxes.** Some states do not have income tax.
- **Your main obligation is to file and pay all your taxes on time.** If you do not, the IRS can issue penalties, and compounding interest on late taxes that increase your payable amount. The IRS can take money due from your bank account, get it from your employer (garnish), or put a hold (lien) on your property, or seize your personal property. Serious stuff!
- **Tax Day** - Each year, April 15 is the day that income tax filings are due in the United States.
- **Overpayments** by you will be given back as a tax refund. **On underpayments,** you must pay the balance due to the IRS.
- **Tax credits -** Income taxes are subject to **tax deductions** called tax credits. These depend on your individual financial circumstances (i.e. your career, your business, XYZ write-offs available to you, etc.)

Income Tax - Paid via Payroll

Anyone who earns an income must pay income taxes.

Payroll tax - When you get a job, your employer will ask you to fill out a federal tax form called a W-4 (name, address, Social Security Number, status, dependents, and other adjustments). This is the basis for calculating how much should be withheld from your paycheck for taxes. Every payday, your employer will deduct a portion of your pay to cover taxes (payroll tax) that they have to pay to the IRS for you.

Your pay stub will show three taxes deducted as withholdings.

- Federal income tax
- State income tax which supports state services
- FICA or the Federal Insurance Contribution Act tax that pays for benefits received by workers and families Social Security or Medicare. As an employee you pay half of this tax as a payroll withholding by your employer. The employer pays the other half.

Payroll Tax, Tax Terms, and Filing Taxes

- **Payroll taxes are a tax on income.** For every year you earn an income you need to file an income tax return with the government by April 15 the following year (e.g. incomes taxes for the calendar year of 2021 are due by 15 April 2022).
- **Gross pay** is what you earn (basic pay) before any tax deductions are made to your income (e.g. if your job pays $50,000 a year, that is the annual gross pay).
- **Net pay** or take home pay is what you get paid AFTER taxes, health benefits, and any other deductions that have been taken from your paycheck.
- **Federal Income Tax Forms -** Visit this page in the IRS site for more information: www.irs.gov/forms-instructions
- If you earn under $72k per year, you can file your taxes for free (avoiding the expense of a company like H&R Block). Check out **Free File**: www.irs.gov/newsroom/heres-why-people-filing-taxes-for-the-first-time-should-use-free-file

Taxes on Wealth & Consumption

Taxes on Wealth: In the US, there are a number of taxes we must pay on our wealth.

- **Property tax** is the main type of wealth tax. It is the top revenue source for local governments. Taxes we pay on private homes, land, and on business property are property taxes. In some states, there may be taxes on personal property such as cars, recreational vehicles and boats. **Inheritance tax, estate tax, and gift tax** also tax wealth.

Taxes on Consumption: Sales and excise taxes are the primary taxes on consumption.

- **Sales tax** charged for goods and services you buy go to your state or local government. Each state has its own tax rate. When you buy that t-shirt for $20 and the total comes out to $21.80… that $1.80 is sales tax.
- **Excise tax** is charged on some types of goods made within a country. This is also called a luxury tax. Federal and state governments add taxes on various items like gasoline, cigarettes, beer, liquor and airplane tickets because people will continue to buy them.

Chapter 7:
Investing & Retirement

Chapter 7: Investing & Retirement

This chapter covers the following:

- Investing vs. Saving - What is the difference?
- Key concepts for investing and wealth building
- Different types of investments
- Basic investing guidelines: 4 Key things to consider in investing & Types of investments
- Retirement accounts and employer benefit plans
- Attaining financial security in retirement

"Poor people see a dollar as a dollar to trade for something they want right now. Rich people see every dollar as a 'seed' that can be planted to earn a hundred more dollars ... then replanted to earn a thousand more dollars." - T. Harv Eker, *Secrets of the Millionaire Mind*

Investing vs. Saving - The Difference

What is the difference between investing and saving?
Although the terms are used interchangeably, there is a difference.

- **Savings** is setting aside money that you don't spend and save for an emergency or for future spending. (see Chapter 2 for more information)
- **Investing** is the process of saving a portion of your income/money to buy assets expecting that they will make money for you and increase your wealth over time.
- The goal of investing is building wealth. **Investment assets** include stocks, bonds, mutual funds, real estate, commodities, cryptocurrency, or precious metals (gold). Investments are selected to achieve your long-term goals and your risk tolerance.
- **Saving is often the first step towards wealth creation** because you must first save money before you can invest it.

Key Concepts for Wealth Building

Understanding these concepts will help you get better at wealth creation through investing:

- Compounding Interest
- Time value of money
- Inflation
- Tax planning (See Chapter 6)
- Diversification

"Not money, not skills, but time is the biggest lever for massive wealth creation." - Manoj Arora

Compound Interest

Compound interest is the interest you earn on interest.

- EXAMPLE: You have $1000 to open a savings account and the interest rate is 5% per year. This is how it works:
    - At the end of the first year, your $1000 will have earned you $50 in interest ($1000 x 5% = $50) and your account balance would be $1050.
    - At the end of the second year, you will have a total of $1102.50 in the account. $1000 x 5% = $50 on your initial investment, plus year one's $50 interest, plus the interest on your earned interest $50 x 5% = $2.50 ...this doesn't sound like a lot, but it adds up over time. It's COMPOUNDING!
    - If you don't add another penny to this account (just the $1000 initial investment), in 10 years (at 5% interest) you will have over $1,628.89 and after 25 years you will have $3,386.35 in your account… all thanks to the power of compounding.
- This is the magic of compounding interest that adds up exponentially over time and why you should start saving young and early.

The Magic of Compounding Interest

Now take another example with an initial deposit of $100 and a 2.5% interest rate.
In this example, we deposit (add) $100 to this account every month.

Year	Balance at year end	Money Deposited	Interest Earned
1	$1,302.50	$1,300	$2.50
5	$6,420.74	$6,100	$320.74
10	$13,572.07	$12,100	$1,472.07
15	$21,663.14	$18,100	$3,563.14
20	$30,817.45	$24,100	$6,717.45
25	$41,174.71	$30,100	$11,074.71

Source: https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator

Time Value of Money (TVM)

Time value of money is the idea that the money you have now is worth more than the same amount of money in the future. *Source: investopedia.com*

- This is because your money has the potential to earn interest over time. The longer it earns, the more valuable it becomes, as you learned with the concept of compound interest.
- If someone borrowed $100 from you and paid back $100 in one year, you are losing the potential interest you could have earned during that year. That is the time value of money.
- This is a core principle in finance provided that money can earn interest. Any amount of money is worth more the sooner you get this concept of “putting your cash to work”.

Inflation

Inflation is the rise in the prices of goods and services over time.
For example, in 1988 a loaf of bread cost approximately 59¢. By 2013, that same loaf of bread cost $1.42. The cost of bread increased by 83¢ over that 25 year period, rising by 140%.
Source: United States Department of Labor, Bureau of Statistics

Inflation is a decrease in the purchasing power of a dollar (or unit of currency), or what you could buy with a dollar. In 1998, you could buy a loaf with a dollar and have some change left and by 2013, you could not.

Inflation measures the average price change in a "basket" of commonly used goods and services (commodities) over time in percentage terms. This "basket" includes food items, clothing, housing, recreation, transport, and consumer staples.

Diversification

Diversification is the practice of dividing the money you invest into several different types of investment assets in order to lower risk.

- Diversification is a risk management strategy that follows the advice of "not putting all your eggs in one basket". I own real estate, stocks, and crypto… I am not betting on ONE horse!
- **An investment portfolio** is a list of all your investments.
- **Applying diversification to an investment portfolio** means consciously including investment assets that have varying degrees of risk so that the overall risk of the portfolio is spread across a number of assets.

"Diversification is a protection against ignorance." - Warren Buffett

4 Key Things to Consider in Investing

1. Duration - How long do I want to invest for? Your options are:

Short term (1-3 years) -- Medium term (4-5 years) -- Long term (over 5 years)

2. Returns - Do I want income and/or growth?

- **Return** is what you earn from investing. EXAMPLE: Interest from savings, dividends from stocks, cash flow from real estate. Investment assets have varying levels of return.
- **Income investing** gives you an income stream for the duration of the investment. If you need income to live off of, it is best to put money where it earns a guaranteed return. EXAMPLE: We get a 10% preferred annual return from real estate syndicates.
- **Growth investing** looks at long term growth. If you don't need short term income, you can keep investing and reinvesting to grow your initial lump sum as much as possible. EXAMPLE: Investing in stocks that you believe will continue to grow in value, like Disney.

4 Key Things to Consider in Investing

3. Liquidity - Do I need to get my money back easily?

- Liquidity is how easily you can convert an asset into cash without losing value.
- **Some assets are highly liquid** (like cash in a savings account or selling stocks). Others assets are not as liquid and take time to turn into cash (like selling real estate). Some assets like IRAs or CDs may incur penalties or loss in value if you want to cash out before the fixed period.

4. Risk and Return trade off - What balance of risk and reward is right for me?

- **Risk** is the likelihood or uncertainty that the value or return of an investment can go up, down, or disappear altogether.
- **Return** is what you get from investing, such as rental income from an apartment.
- In investing, **high risk means high return** (but also high risk of losing it all); **low risk means low return** (but a more stable/guaranteed return). So every investor needs to decide on the risk-return tradeoff they are willing to make.

Types of Investments - Stocks

Stocks are securities that represent equity or part ownership in a company. Buying a stock means buying a slice of ownership in that company (i.e. buying the stock ticker "DIS" equals a share of the Walt Disney Company).

Your return on stocks can be two fold:

- When the market value of a stock increases over what you paid for it, that increase is called a capital gain.
- People with a **speculative motive** invest in stocks expecting a rise in stock prices so they can sell and make a profit on the sale (and realize the capital gains).
- When a company performs well and distribute some of the profits to the investors, that is called **dividends**.
- Those who **wish for an ongoing stream of income** invest in stock that pay consistent dividends to shareholders.

Stocks and Value Investing

Value investing is finding companies with good fundamentals and buying their stock when their market prices are low for whatever reason. Value investors then hold these stocks over the long term.

"If a business does well, the stock eventually follows." - Warren Buffett

The most famous value investor we know is Warren Buffett who says, *"Our favorite holding period is forever."*

More value investing quotes from Warren Buffett:

- **"Price is what you pay. Value is what you get."**
- **"Only buy something that you'd be perfectly happy to hold if the market shut down for 10 years."**
- **"An investor should act as though he had a lifetime decision card with just twenty punches on it."**

Types of Investments - Bonds

A bond is a debt instrument.

- Think of a bond as a document that indicates the company owes you money, an I.O.U.
- Companies issue bonds to raise cash and pay bondholders regular interest payments at a predetermined rate. Bonds come with a promise to pay back (redeem) the original value of the bond at a defined point in the future (maturity date).
- Bonds are typically low risk investment assets and offer a low return on investment.
- **Treasury bonds** are bonds issued by the U.S. government that bears a fixed interest.
- **Savings bonds** are bonds that can be purchased from the federal government.
- **US Treasury bonds are one of the most secure investment assets** because they'll be paid back UNLESS the government fails, which is an unlikely possibility. Buying other countries bonds can carry varying degrees of risk.

Types of Investments - Cash Equivalents

Cash equivalents (highly liquid) are investments securities that are meant for short-term investing.

- Cash equivalents are low-risk securities and have a low-return.
- Examples of cash equivalents are:
  - U.S. government Treasury bills
  - Bank certificates of deposit (CDs)
  - Corporate commercial paper and
  - Other money market instruments
- A basic financial investment portfolio contains three types of investment (asset classes): **Stocks, bonds, and cash equivalents**

Some Investment Terms from Investopedia

- **An investment asset** is an asset or item that is purchased with the hope that it will generate income or appreciate in value at some point in the future.
- **An investment** always concerns the outlay of some asset today (time, money, effort, etc.) in hopes of a greater payoff in the future than what was originally put in.
- **An investment portfolio** is a collection of financial investments from different asset classes.
- **Asset classes** are types of assets in an investment portfolio (stocks, bonds, crypto, real estate, etc.)
- **Asset mix** refers to the composition of the assets in the investment portfolio.
- A **simple investment portfolio** would be made up of the 3 main asset classes: stocks, bonds, and cash equivalents. Other asset classes suggested by investment professionals may include real estate, commodities, art, futures, other financial derivatives, private investments, and cryptocurrencies.

Source: investopedia.com

Some Investment Terms

An Investor Profile is a description of a person's preferences in investment decisions. To determine your investor profile, it is important to know the answers to these questions:

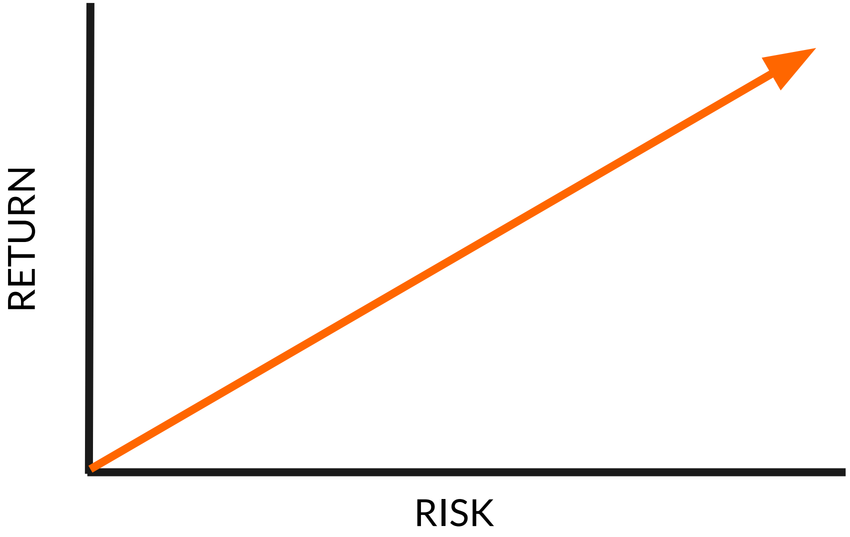
- Do you want your investments to be for short-term trading or long term holding?
- Are you a risk-averse or risk-tolerant investor?
- Do you want a range of asset classes in your portfolio or just one (stocks for example)?

Risk averse and risk tolerant

- **Risk averse** means you are not willing to take risks.
- **Risk tolerant** means you are able to tolerate risk.

Risk aversion and tolerance falls along a continuum. That is, everyone is risk averse or tolerant in varying degrees.

Understanding Your Investor Profile



- To be successful at investing, it is important to figure out what type of investor you are.
- Your investor profile defines your preferences in investment decisions.
- Investment professionals use an investor profile questionnaire to help evaluate many elements to consider when investing.
- They can then plot your risk tolerance levels and your risk return tradeoffs to determine the investment strategy best suited to you.
- Depending on the investment strategy, investment professionals can decide on the asset mix to be included in your portfolio.

Five Investment Strategies

The five investment strategies are:

- Aggressive
- Moderately aggressive
- Moderate
- Moderately conservative
- Conservative.

View the pie chart breakdowns for each investment strategy at:
https://www.thebalance.com/top-investing-strategies-2466844

Investment Strategies - Interpretation

Each pie chart represents a different investment portfolio. The five types are:
Aggressive, moderately aggressive, moderate, moderately conservative and conservative

- Short term means cash and cash equivalents.
- Bonds are the interest earning element (less risky and fixed returns).
- The rest are all types of stocks, including international stocks, shares of large companies (large-cap), mid-sized companies (mid-cap) and small companies (small-cap), graded according to their capitalization (total market value of issued shares).

Typically when people are younger, they want to be more aggressive (they can tolerate risk) and invest in high-growth stocks. Those nearing retirement want to be more conservative (they are more risk averse) and invest in bonds and less riskier stocks.

Investment Strategies - Interpretation

- **Conservative portfolio strategy** has bonds 60%, short term 20%, and a mix of large cap and international shares.
- **Moderately conservative** contains no cash equivalents, a little less in bonds (55%), more international and large cap shares and some mid-cap shares.
- **Moderate** has even less bonds (40%), even more large cap shares (35%) some international shares, and a bit of small cap and mid cap shares.
- **Moderately aggressive** portfolio has even more large cap shares, much less bonds (15%) and a lot more international shares.
- **The aggressive portfolio** has no bonds. It is all stock shares. 40% international, 45% large cap and the rest are mid cap and small cap.

This is an example of how one firm determines the asset mixes for the 5 investment strategies. Different firms and investment professionals may recommend differing asset combinations.

A Few Tips on Investing

- **Investing is not just about investing in assets.** The best investment you can make is investing time and money in yourself to make you better prepared for the future (like taking this course!)
- **The goal of financial investing is to build your wealth.**
- The **Risk Return Ratio** of an investment is the relationship of the expected return compared to the amount of risk taken. It is calculated by dividing the amount you could lose (risk) by the amount of profit could make (return). Typically, as risk goes up, so does the possible return. Pay attention to the risk return ratio when investing and picking investment assets.
- **Do not invest money in things you do not understand.** You can learn about it if you invest the time to do so.
- **Do not invest with borrowed money or just for the sake of tax savings.**

Understanding Employee Benefits

Employee benefits are non-wage related compensations that an employer gives to employees in addition to their normal salary or wages.

- Employee benefits have the purpose of increasing the financial security of employees, and are used to improve their incentives to stay as an employee longer (retention), motivate staff, and improve overall loyalty to the organization.
- As you join the work world, it is important to understand the various components of an employee benefits package.
- When evaluating a job offer, you must consider the employer's benefits package in addition to your salary or wage.

What are the Common Employee Benefits?

Common employee benefits include:

Retirement and savings plans	**Insurance**	**Incentive plans**
Employee stock options	Different types of leave: sick, vacation, family, maternity/paternity, study, etc.	
Educational reimbursements	Subscriptions and memberships	Cafeteria and meal plans
Entertainment allowances	Staff discounts	Interest free loans

- The benefits package may vary from employer to employer and from industry to industry.
- When you compare two jobs, try to assign a value to each type of benefits in the two benefits packages and choose what suits you best and offers you the best value.

Types of Retirement Plans

Different employers may have different plans. Here's a list of plans you may encounter:

Individual Retirement Accounts (IRAs) /Individual Retirement Arrangements	Roth IRAs
401(k) Plans	403(b) Plans
SIMPLE IRA Plans (Savings Incentive Match Plans for Employees)	SEP Plans (Simplified Employee Pension)
SARSEP Plans (Salary Reduction Simplified Employee Pension)	Payroll Deduction IRAs
Profit-Sharing Plans	Defined Benefit Plans
Money Purchase Plans	Employee Stock Ownership Plans (ESOPs)
Governmental Plans	457 Plans

Source: https://www.irs.gov/retirement-plans/plan-sponsor/types-of-retirement-plans

Individual Retirement Accounts (IRAs)

- An IRA is a tax-advantaged account that you can use to save and invest for your retirement.
- There are several types of IRAs—traditional IRAs, Roth IRAs, SEP IRAs, and SIMPLE IRAs. Each type has different rules regarding eligibility, taxation, and withdrawals.
- You can open an IRA at most banks, credit unions and other financial institutions as well as through online brokers, mutual fund providers and other investment companies.
- There are income limitations for contributing to Roth IRAs and for deducting contributions to traditional IRAs.
- Rules regarding how much you can put away in an IRA (maximum contribution) and who can use IRAs, eligibility and income limits change each year.
- The idea is for you to let your money grow at least until you reach 60. If you withdraw IRA money before you reach the age 59½, you are usually subject to an early-withdrawal penalty of 10%.

Source: https://www.investopedia.com/terms/i/ira.asp

Source: https://www.irs.gov/retirement-plans/individual-retirement-arrangements-iras

How to Retire Rich + Best Roth IRA Hack

Peter Thiel is one of the early investors in Facebook and PayPal.

He partially funded his investment in Facebook and PayPal with his Roth IRA.

It is rumored that Peter Thiel has $90+ million of tax-free wealth inside of his Roth IRA!

Learn how in our blog post: https://www.coursenvy.com/how-to-retire-early

401(k) Retirement Savings Plans

A 401k is a retirement savings plan corporations offer to their employees.

- Employees can contribute money to their 401(k)s from their gross pay.
- The money in a 401(k) account grows tax-deferred. This means, your contribution is not taxable at the time you put money in. You will only be taxed at the time of withdrawing it (i.e. taxed as you withdraw during retirement).
- Some employers will match your 401(k) contribution to a certain limit. This means, for every dollar you put in your account, the employer will also put in dollar matching to X amount.
- You should use your 401(k) whether or not your employer matches your contribution as it is a great way to avoid paying taxes on a portion of your income.

Other Retirement Savings Plans

- **403(b)** is a retirement savings plan used by nonprofit organizations such as churches, hospitals, and schools and work along similar lines.
- **457 is deferred compensation**, usually available for government employees. Here you are opting to get your compensation later instead of now.
- **Simplified Employee Pension Plan (SEP) is suitable for a self-employed people.** They can deduct up to 15% of the net profit from their business by investing in a SEP.
- These names, 401(k), 403(b) and 457, are references to the tax code that discusses each type of retirement plan.
- You can get more information on each type of retirement savings plan from the IRS website.

Source: https://www.irs.gov/retirement-plans/plan-sponsor/types-of-retirement-plans

Attaining Financial Security in Retirement

You may be asking… "Why are these people trying to tell me about retirement, I'm still young!?"

Great question! We are doing this because Financial Literacy is an important life skill. You may be thinking about getting a job or starting a business. When you do, you have to remember that growing wealth begins with your first decision to save, invest, and take advantage of compound interest.

Make compound interest your friend and you'll be on your way to becoming a millionaire if you are diligent in saving/investing and you make up your mind to be one!

Can I Become a Millionaire?

Yes you can, if you begin saving and investing now!

Do you want to be a millionaire? Would you like to grow your wealth and not have to worry about money and retire stress free?

Many Americans are at the other end of the spectrum. They live paycheck to paycheck and many do not even have $400 saved for an emergency! This is not where you want to be!

- This course will help, but you need to make a serious effort and master financial literacy and continue learning about finances, accounting, investing, and wealth creation/management!
- You will make mistakes. But since you are starting early, you have time to make mistakes and learn from them.
- Learn to leverage the magic of compounding interest to grow your wealth over the long term. If you start now, you will not have to worry about financial security in retirement.

Begin Saving and Building Wealth Now

Begin today. Start saving money. Get a job. Start a side hustle business. Continue learning and adding to the knowledge you obtained from this course. Create Google Sheets to start documenting every penny you spend. Make a personal budget. Try to live within it.

Start saving as soon as possible. Review what we taught about compounding interest!

You are never too young to begin saving. Don't fall into the trap most young adults do. A survey by Charles Schwab found that only *"2% of young adults say they know how to invest money to make it grow."*

You are one step ahead of them already. Your know what to do to become a smart investor!

Investing

Continue your investing training in our modMBA.com courses!

Chapter 8: Insurance

Chapter 8: Insurance

This chapter covers the following:

- Why insurance matters
- The purpose of insurance
- Different types of insurance
- Insurance terms
- What insurance do I need?
    - Auto, health, identity theft, and renters/homeowner insurance
- Basics on each type: What it is, how to get it and tips for saving on premiums
- General tips for saving on insurance premiums

Insurance - Why It Matters

- **Our need for insurance can arise at the most unexpected moments.** Insurance probably does not seem that important to you. However, we can never know what the future holds. So it is very important that you are prepared to face unexpected disasters.
- **Inadequate insurance can mess up your finances and plans:** Illnesses, injuries, car accidents, fires, floods, or identity theft. An emergency fund and a budget helps, but insurance is needed for the BIG expenses, so factor insurance premiums into your monthly budget.
- **Proper insurance coverage spares you unexpected expenses** that can run into thousands of dollars.
- **For example, a trip to the hospital in an ambulance following an accident can mean an expense of thousands of dollars,** even before you add in the cost of medical care. Neither your emergency fund nor everything you learn in this Financial Literacy course can help you like insurance can.

The Purpose of Insurance

- **The purpose of insurance is to transfer risk.** By tpaying your insurance premiums and keeping the insurance policy active, the insurance company takes on the financial burden of the insured event, whether it is damage to your car, medical costs for injuries, or other costs.
- Not having proper insurance protection can lead to some losses that can bankrupt you.
- **Top 5 Reasons People Go Bankrupt** according to *Investopedia.com* are: Medical expenses, job loss, excess use of credit, divorce or separation, and unexpected expenses.
- **Obtaining insurance coverage is like opening a protective umbrella** over your life, your savings, investments, and your ability to keep earning an income. This protective umbrella of insurance helps you transfer the risks of life to the insurer.

Different Types of Insurance

There are **seven** basic types of insurance that you can benefit from at different stages of life.

1. Homeowner's or Renter's Insurance
2. Auto Insurance
3. Health Insurance
4. Disability Insurance (once you are established in your career)
5. Long-Term Care Insurance (necessary when you become 60 or older or have disabilities that make you unable to earn your living -- this will pay for nursing home and hospice care)
6. Identity Theft Protection
7. Life Insurance (necessary when you are older and have dependents who would rely on your income once you are gone)

Explaining Insurance Terms

- A **Policy** is the type of coverage in an insurance agreement.
- The **Premium** is the financial cost of getting insurance coverage. Premiums can be paid as a lump sum or in installments to keep the policy active. Premiums can be paid monthly, quarterly, semiannually, or annually, depending on the type of insurance you purchase.
- **Coverage** refers to the amount of protection you have. This is what the insurance company will cover in the event of a loss.
- **Policy Limit** is the maximum amount an insurance company will pay you as a policyholder if an insured event occurs (such as death, disability, or a car accident).
- **Claim** is the paperwork you need to file with an insurance company to get them to pay for the insured expense/loss.

Explaining Insurance Terms

- **Beneficiary** is the person who will benefit and receive assets from the insurance policy. When opening a life insurance policy, a person can nominate their spouse or child as the beneficiary.
- **Deductible** is the amount you must pay on your own before you begin receiving any money from your insurance company.
- **Copayment** is a fixed amount you have to pay for a covered health care service, after paying your deductible.
- **An out-of-pocket expense** is an amount of money that you pay when your insurance will only covers a percentage of costs.

What Insurance Do I Need?

After high school/college you will likely need these 4 types of insurance:

1. Car insurance (auto)
2. Health insurance
3. Identity theft cover
4. Renters insurance

Auto Insurance

Auto insurance protects you from financial loss if you get into a car accident or something damages your car.

Basic components of an auto insurance policy include:

- **Liability** covers medical costs and property damage of the other driver when the accident is your fault. Get really good coverage limits because this is the most affordable in car insurance.
- **Medical payment coverage** pays for all accident-related medical costs.
- **Collision insurance** will cover damage to your car. If you have a car loan, the lender will require collision coverage, which will replace a car in a wreck.
- **Comprehensive coverage** will repair or replace your car when such damage is not caused by a collision, theft, fire, flood, or hail.
- **Uninsured/underinsured motorist protection** covers your costs when the injury is caused by an uninsured motorist or injury in a hit-and-run accident.

Auto Insurance Best Practice

- **Shop around** and get the best deal for your total insurance budget.
- **Prices may vary significantly** among insurers. Comparison shopping is required.
- **Look beyond pricing.** Research how good the insurer's claims service record is. Your insurer needs to be a firm with a good history and some financial stability.
- **Ask for discounts.** Insurers may offer discounts for good behaviors that reduces risk. See whether you qualify for them.
- **Look beyond the basics when settling on coverage limits.** You should carry adequate liability insurance covering property damage and medical bills (we suggest a minimum coverage of $500,000).
- **Always keep your car insurance policy updated.**
- **Be careful with claims.** Reread your policy again.

Saving Money on Auto Insurance

- **Getting good grades** is considered an indication that you are a responsible driver.
- **Teen drivers are considered high risk**, and more expensive to insure because crash rates for teens are higher than for those of older drivers.
- **Stay on your parents' auto insurance policy throughout college** if possible in order to benefit from the multi-car discount.
- **Take a driver education class.**
- **A good driving record** helps keep your auto insurance premiums lower. The more accidents and more claims you have, the higher your premium will become.
- **Do not file trivial claims like a bumper scuff (NOT legal advice).** You don't want a denied claim and your premium going up the following next year for something you could have settled with the other driver.

Health Insurance

You may feel invincible because you are young and healthy. But young people need medical care too. Because the cost of healthcare in the US is ever-rising, you must be prepared.

Emergency room visits are costly and can wipe out your emergency savings in one day. If you don't have health insurance, an emergency room visit can cost thousands of dollars depending on the level of care required.

Source: https://www.thebalance.com/average-cost-of-an-er-visit-4176166

Where people get medical insurance coverage:

- By 2019, of 323 million population in the US, about 49% had **employer sponsored private insurance.** This is also referred to as **group health insurance**.
- Around 7% had **non-group private insurance** purchased in the open market.
- The remaining received **health care services under federal programs** such as Medicare 14.2%, Medicaid 19.8%, and the military.
- Around 9.2% of the U.S. population was uninsured. Remember, being uninsured is risky and potentially more costly!

Group Health & Individual Health Insurance

Group health plans are part of employee benefit plans maintained by employers or organization such as a union.

- Provide medical care for participants and/or their dependents using insurance, reimbursement, or other means.
- Spread the risk over the entire group and thereby keep premiums stable.
- Insurers cannot deny coverage to people based on their health issues.

Individual health insurance plans are insurance plans purchased in the open market

- By self employed or gig workers, early retirees, and people who don't have coverage under an employed spouse's group insurance.
- Can be more expensive than group plans.
- Insurers can deny coverage for those with a history of poor health (pre-existing conditions).

Source: https://www.bls.gov/ncs/ebs/sp/healthterms.pdf

How to Get Health Insurance - Your 5 Options

Option 1: Use the Government's Health Insurance Marketplace, the health insurance "exchange" by visiting **HealthCare.gov** and the other state exchanges.

Depending on income and eligibility for other health coverage, you may find that you qualify for subsidies (premium tax credits) when you buy your health insurance this way. You do not qualify for subsidies when buying directly from an insurer.

HealthCare.gov has an annual open enrollment period. This is your best chance to get affordable, comprehensive health insurance for yourself. The Affordable Care Act or plans that meet the minimum essential coverage standards include:

- Covering pre-existing conditions.
- Providing essential benefits.
- Offering preventive care at no cost before you meet your deductible.

Source: investopedia.com

How to Get Health Insurance - Your 5 Options

Option 2: Work with an agent or broker to get your health insurance.

- An "agent" only sells policies from one insurance company.
- A "broker" sells policies from multiple insurance companies.
- They can help find a good policy because they have experience evaluating health insurance plans.
- Use the federal government's Find Local Help (https://localhelp.healthcare.gov) tool to locate a marketplace-trained private insurance broker.
- Get the best options and the least biased advice, wth with a broker that sells both marketplace and non-marketplace plans.
- You don't have to pay anything to an agent or broker. The insurance company will.

Source: investopedia.com

How to Get Health Insurance - Your 5 Options

Option 3: Buying directly from an insurer

Sometimes, you may be able to find plans outside the marketplace that better suit your coverage needs and your budget.

- **You will need to shop around** and visit several insurer's websites.
- **ACA-compliant plans sold outside federal and state exchanges** must also meet the same criteria as on exchanges. They must cover pre-existing conditions, provide essential benefits, and offer preventive care at no cost before you meet your deductible.
- **There are non-ACA-compliant short-term plans that cover up to 12 months.** They have a lot of exclusions and fewer benefits than ACA-compliant plans. Pay attention as to what you are getting when you sign up for these on private exchanges.
- Remember, you do not qualify for subsidies when buying directly from insurers.

Source: investopedia.com

How to Get Health Insurance - Your 5 Options

Option 4: Buying health insurance through an online health insurance brokerage

- **They are called by many names.** Online health insurance brokerages, private enrollment websites, or private exchanges.
- They offer to help compare health insurance plans, but you may not be shown all of the plans that meet your requirements. They are not bound to do so. Instead, they give priority to plans that earn them a higher income (brokerage or commission).

Option 5: Buying insurance through an association or membership organization

- Members of unions, alumni associations, professional organizations or other large groups can get health insurance at group rates.
- Their ability to negotiate with companies comes from their large memberships. As a result, you may be able to get good, affordable healthcare with these group plans.

Source: investopedia.com

Disability Insurance

Disability insurance plans have been designed to replace the income you may lose due to a short-term or permanent disability. They work if an accident or health condition prevents you from working. You should purchase disability insurance once you are working full time.

- Disability insurance coverage should amount to 65% of your income.
- The **elimination period** is the time between you becoming disabled and when the payments begin. Longer elimination periods will lower your premium cost.
- Occupational disability insurance pays if you are unable to work on the job you were trained to do.
- Stay away from short-term policies that cover less than five years. The ideal way to cover short-term disability is with your emergency fund.

Renters and Homeowners Insurance

Renters insurance is necessary when you move out of your parents' house. It covers the contents of your rented apartment or home in the event of theft, fire, weather, etc.

- Renters insurance is very affordable.
- The average renters policy costs about $180 a year or about $15 per month.
  Source: National Association of Insurance Commissioners

When you buy a home, protect it through **homeowners insurance** which covers the costs of repairing/replacing your home in the event of damage or destruction due to storms, fire, theft and other causes.

- Insurance should be **"guaranteed replacement cost"** not extended replacement cost.
- When you own more assets, you will want to use **"umbrella liability"** policies that give you additional liability protection.

Why You Need Insurance for Identity Theft

Whether it comes from stolen debit or credit cards, stolen paperwork or wallets, or occurs via the internet, email or some privacy breach… identity theft can be a stressful experience!

The danger lies in the fact that many people do not notice an identity theft for months.

Identity theft has has longer term impacts beyond financial loss. It can mess up your credit score and reputation. This is why you should purchase identity theft insurance.

What is Covered by Identity Theft Insurance?

The following are **some coverages and services** you can expect from your identity theft insurer:

- Assigned consumer fraud specialist or case manager.
- Replacing government issue identifications.
- Assisting with civil judgments, criminal charges, audits or hearings that are related to fraud perpetrated by the "impostor".
- Resolution services that help you reclaim identity and restore your credit.
- Reimbursement of attorney's fees you may incur due to identity theft and dealing with it.
- Reimbursement of administrative fees and expenses and fees resulting from the theft incident/s.

Source: iii.org/article/identity-theft-insurance

General Tips for Saving on Insurance Premiums

- **Always shop around to get the best deals** or use an independent insurance broker/agent.
- **Smart thinking can save you money.** Think carefully about the potential risks when buying insurance of any sort. Excessive coverage is a waste of money. Inadequate coverage is risky.
- **See if you can stay on your parents' insurance** for medical and auto insurance past college for discounts.
- **Increase your deductible.** Deductible is the amount you must pay out of pocket before your insurance policy kicks in helps.
  - The higher your plan's deductible, the lower your monthly premium.
  - This works for both auto and medical insurance.
  - If you have saved for an emergency ($500 for students, 3-6 months expense for adults), you can raise the deductible to save money on the premium (insurance cost).

Chapter 9: Consumer Skills

Consumer Skills

In this chapter we cover:

- Buyer beware
- Be responsible and master your spending
- Best ways to spend money
- Consumer Protection laws and regulations

Buyer Beware

Marketing is powerful and it is everywhere! Think of the last 10 things you bought, whether products or services. Were your decisions influenced by advertising? The answer most certainly is yes! As we saw in Chapter 4, all debt (*think of* credit card commercials) is marketed to you. Wherever you go, whatever you do... watching TV, listening to the radio, surfing the web, checking your phone, driving past billboards... you are unwittingly in the middle of an advertising battle for the consumer dollar!

Their goal is to trace your journey as a customer and guide you through to action via a process of creating awareness, creating an interest, creating a desire, and prompting you to take action or making the purchase.

Next time you see an advertisement or promotion, think about these stages!

Be Responsible and Master Your Spending

- It is easy to spend more than you earn.
- Always make a spending plan (and create a list) before shopping. Does everything fit in your budget?
- Don't fall for impulse purchases. This is easy to do both online and offline in stores.
- When something tempts you, wait one day to see if you still NEED it.
- Do you need it or want it (nice to have)? There is a difference.
- Why are you buying this? What is your buying motive?
- Don’t confuse fun with happiness. Fun you can buy. But not happiness.
- What is the "opportunity cost" of this buy? By buying this, what will you have to give up?
- Take your time and make the right decision.
- Don't buy things that cause buyer's remorse (regrets about the purchase).
- The best way to get big purchases is to save up and pay cash. You get more satisfaction this way and it gives you ample time to confirm if you indeed NEED it.

Best Ways to Spend Money

"If money doesn't make you happy, then you probably aren't spending it right."
—Journal of Consumer Psychology

6 ways to spend money so you obtain more happiness:

1. Pick experiences instead of material goods.
2. Spend money on others, rather than on yourself.
3. Choose many small experiences, rather than a few large ones.
4. Buy the insurance you need—you don't need the emotional protection beyond that.
5. When spending think about what you expect to gain from it.
6. Comparison shop prior to spending money to confirm you got the best deal.

Consumer Protection

- **A variety of laws at federal and state levels regulate consumer affairs in the United States.** Many of them fall under the umbrella of The Federal Trade Commission (FTC), created by the Federal Trade Commission Act.
- **The FTC's Bureau of Consumer Protection** stops unfair, deceptive and fraudulent business practices by collecting complaints about many issues, bringing cases based on them, and sharing them with law enforcement agencies for follow-up. The Bureau also develops rules to maintain a fair marketplace and educate consumers and businesses about their rights and responsibilities.

Source: www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection

Consumer Protection

- **The Fair Credit Reporting Act (FCRA)** regulates credit reporting businesses; and makes sure reporting bureaus like Equifax, Experian, and TransUnion manage and handle consumer’s credit information in a fair and safe manner.
- **Free Credit Reports.** The FCRA entitles you to ask for a free copy of your credit report once every 12 months from credit reporting bureaus? We have discussed credit reports in Chapter 4.
- **The Gramm-Leach-Bliley Act**, also known as the Financial Modernization Act requires US financial institutions to explain how they handle and protect consumers’ nonpublic personal information such as social security numbers, credit information and personal address. It also restricts how financial institutions share sensitive data with third parties.
- The Consumer Protection Bureau’s Marketing & Advertising Division focuses on preventing common types of fraudulent claims and deceptive actions by marketers.

Source: www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection

Consumer Protection

- **Deceptive advertising** is when images and words are used in print, digital format or video advertisements to imply claims about products that are untrue or omit necessary information. In particular product names, pricing, and claims must not mislead consumers. Anything that would affect consumer behavior or decisions on the product or service must be truthful. This applies to product packaging, labeling, advertisements, brochures and digital media.
- **The CAN-SPAM Act** protects consumers from what may be considered spam or unwanted electronic communications by enforcing communication requirements. So, if you receive an unwanted email from someone you already unsubscribed from, they are in violation of the law. You may take legal action if they continue to ignore your “unsubsribe” request.
- **Telephone Consumer’s Protection Act** protects consumers from unfair and deceitful actions of telemarketers. These include robocalls, automated text messages, where and how a telemarketer may contact you and the National Do Not Call Registry List.

Source: www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection

Consumer Protection

- The most important laws under the Division of Financial Practices of the Consumer Protection Bureau regulates financial services in their activities when dealing with consumers.
- **The Fair Debt Collection Practices Act** protects consumers by restricting unethical or unfair actions by third-party debt collectors. Debt collectors are prohibited from being verbally abusive, harassing you, talking to your family members or work about your debt, contacting you outside of reasonable hours and lying or behaving deceitfully.
- Financial service businesses are prohibited from making any deceitful and unfair claims to consumers who are seeking relief from dire financial situations like being unable to pay their mortgage or credit card debts.
- **Other consumer protection laws** include the Federal Food, Drug, and Cosmetic Act, Truth in Lending Act and Fair Credit Billing Act.

Source: www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection

Chapter 10: Giving & Continued Education

Giving & Continued Education

In this chapter we discuss:

Giving

- Giving and Discovering the Power of You
- Why giving is rewarding
- When thinking of giving

Lifelong Learning

- Goals and goal setting
- Understanding the Habit Loop for Self Mastery
- Habits of successful people
- Suggested books and videos

Giving and Discovering the Power of You

Here is a powerful story about making a difference.

> *One day a man was walking along the beach when he noticed a boy picking something up and gently throwing it into the ocean. Approaching the boy, he asked, "What are you doing?"*
>
> *The youth replied, "Throwing starfish back into the ocean. The surf is up and the tide is going out. If I don't throw them back, they'll die."*
>
> *"Son," the man said, "don't you realize there are miles and miles of beach and hundreds of starfish? You can't make a difference!" After listening politely, the boy bent down, picked up another starfish, and threw it back into the surf.*
>
> *Then, smiling at the man, he said….."I made a difference for that one."*

You don't have to wait until you are rich or powerful to begin giving. You can begin today.

Why Giving is Rewarding

- **Giving is one of the most rewarding things you can do in life.** You can give to others in many ways. Money, time, and effort can make a difference in someone's life. Donating money can give you more joy than anything money can buy. It adds meaning to your life no matter your age.

- **You don't need to be rich to give time and effort.** You just need a kind heart and willingness to help/volunteer. Think of old neighbors who are unable to mow their yard or clear their driveway of snow. Or how about helping someone learn something, even if it is your siblings, teach them something you learned in this course!

- What you want to do is discover something you can do that falls within your values, interests, and passions. These are what make you unique. And nurturing these with giving will help you become an even better person!

When Thinking of Giving

Try to discover what feels most meaningful to you.

- What are your values? What matters most to you most?
- Make a list of qualities (honesty, kindness, etc.) you value in yourself and in others.
- Then make a list of activities (outdoor activities, reading, sports) that you like to engage in.
- Think of how you can combine some of these in your spare time, to fulfills someone's need.
- Google volunteering options in your city around these meaningful things!

Try to discover something you can do that falls within your values, interests, and passions. These are what make you unique.

Nurturing your unique qualities with giving will help you become a better person. And you will be making this world a little bit better for someone else… remember the ONE starfish that was saved!

Keep it simple. Read to a kid or elderly neighbor, help a busy parent, work in a community garden, coach little kids in a sport you love, volunteer at a food bank, bake cookies or make crafts. **The sky is truly the limit.**

Coursenvy.com

Our mission at Coursenvy.com is to be ALWAYS LEARNING!

There is no end to education! Continue your lifelong learning journey like these greats…

- *"Getting rich takes focus, courage, knowledge, expertise, 100% of your effort, a never-give-up attitude and a deep desire and commitment." — Abhishek Kumar*
- *"If you're not growing, you're dying." — Anthony Robbins*
- *"Live as if you were to die tomorrow. Learn as if you were to live forever." — Mahatma Gandhi*
- *"Wisdom is not a product of schooling but of the lifelong attempt to acquire it." — Albert Einstein*

Become a Lifelong Learner

***"Anyone who stops learning is old, whether at twenty or eighty.
Anyone who keeps learning stays young."* - *Henry Ford***

Lifelong learning is necessary regardless of your career goals, education, or specific life goals.

Goals and Goal Setting

A goal is something you desire to HAVE, BE, or DO in a given time.

- Life goals are everything you want to do in your lifetime. Life goals are your “North Star”. Setting goals will give you a purpose and guide your life the way you want to live. Goals give you a necessary road map for your life.

  “If you don't know where you are going, any road will get you there. - *Lewis Carroll*

- **10 things to do before you die -** Take a few minutes to write down 10 things you want to achieve before you die.
- The more you think the longer the list gets. The first ones you thought of may not be the most important ones to you and your life… You need to keep refining this your entire life because as you change and grow older, your priorities will also change also.

Why Goals Matter to Life

- Use goals as a tool for focusing your life and taking action.
- Goals give us clarity, direction, meaning, focus, and motivation.
- They give us a sense of purpose and help build our confidence.
- Goals are not daydreams because they focus on ACTION and RESULTS.

There are many different types of goals:

- Personal, professional, and family goals
- Short-term, medium-term, and long-term goals
- "Product" and "Process" goals
- Financial goals

Product Goals, Process Goals, & SMART Goals

- **Product goals** focus on the end result of what you wish to achieve.
- **Process goals** focus on how to get there (process) and the habits that lead to failure or success.
- **SMART goals**
  - SMART is an acronym that stands for **S**pecific, **M**easurable, **A**chievable, **R**elevant and **T**ime-Bound.
  - Use SMART as a checklist to ensure your goals can be achieved.
  - When you define your goals to fit this SMART criteria, you are more likely to achieve them.

SMART Goals

- **Specific** - State what you will specifically do.
- **Measurable** - Provide a way to evaluate your goal for success (metrics, data, etc.)
- **Achievable** - Make your goals attainable.
- **Relevant** - Make your goal relevant to your overall mission and improvement.
- **Time-Bound** - State when your goal will be accomplished with a specific date or time frame.

Understand the Habit Loop for Self Mastery

A habit is a behavior that has been repeated enough times that is became automatic.

According to James Clear, all habits (good and bad) follow a feedback loop with four steps:

Cue > Craving > Response > Reward

Now that you can recognize this **“habit loop”**, you can build better habits with 4 habit rules:

1) Make it obvious, 2) Make it attractive, (3) Make it easy, (4) Make it satisfying

Source: James Clear, Atomic Habits

14 Habits of Successful People

“Successful people are simply those with successful habits.” - Brian Tracy

If you Google, you will find dozens of lists of habits of successful people. Here is our list:

1. **Practice gratitude daily.** Being thankful improves happiness and well-being.
2. **Learn to ignore the noise.** This helps you pause, slow down and reflect on what matters.
3. **Keep in touch with annual and quarterly goals.** Working back from big goals helps ensure your daily activities are aligned with them and you stay on track.
4. **Attend to your email from the bottom up.** Go for the oldest ones first in clearing the inbox and miss nothing important.
5. **Make time to learn something every day.** The ability to learn is critical to success in life. People who can are able to apply new knowledge to their work will always stay ahead of the rest.

14 Habits of Successful People

6. **Challenge your perspective often.** Listening to and reading only people who agree with you makes for a closed mind. Connecting with diverse people and being open to their frames of reference, conflicting opinions, and different angles help you refine and expand your perspective.

7. **Learn to draw ideas and inspiration from unrelated industries and fields.** Creative innovations for improving life and business can come from different industries. But you need to go looking. Read new books or listen to new podcasts you normally wouldn't.

8. **Make quality time for your loved ones.** It helps you focus on what really matters and gives balance and perspective to what you are engaged in the rest of the time.

9. **Find ways to nurture your creativity.** Music is one avenue. Find other means that lead you to more creative thinking.

10. **Have clear intentions for your daily tasks.** Focus on getting things done. When planning your workday, break down tasks into an actionable flow and achievable items. Make sure each task can be completed. Make to do lists and cross tasks off!

14 Habits of Successful People

11. **Learn to embrace chaos to foster your creativity.** Some successful people have daily routines and are very disciplined. But, others do not. When working on highly creative and chaotic areas, a rigid structure and discipline can be damaging to creativity. Sometimes creativity needs chaos.

12. **Learn to take risks and embrace failures.** Celebrate your failures, learn from them, and walk away with a better understanding of how things work.

13. **Get to work early. Get 8 hours of sleep.** Wake up early, skip the traffic, arrive at a quiet workplace to boost your productivity and get things done on your own.

14. **Pick up the phone once in a while.** There is no substitute for connecting with people live. You can't really develop strong relationships with just emails and texts.

“We are what we repeatedly do. Excellence, then, is not an act, but a habit.” - Aristotle

Suggested Books

- Mindset: The New Psychology of Success by Carol S. Dweck
- Grit: The Power of Passion and Perseverance by Angela Duckworth
- Focus: The Hidden Driver of Excellence by Daniel Goleman
- The Happiness Advantage: How a Positive Brain Fuels Success in Work and Life by Shawn Achor
- Drunk Tank Pink: And Other Unexpected Forces That Shape How We Think, Feel, and Behave by Adam Alter
- Drive: The Surprising Truth About What Motivates Us by Daniel H. Pink
- Deep Work: Rules for Focused Success in a Distracted World by Cal Newport
- Atomic Habits: Tiny Changes, Remarkable Results by James Clear
- Fooled by Randomness by Nassim Nicholas Taleb

Suggested Books

- **Focus: Use Different Ways of Seeing the World for Success and Influence** by Heidi Grant Halvorson and E. Tory Higgins
- **The Progress Principle: Using Small Wins to Ignite Joy, Engagement, and Creativity at Work** by Teresa Amabile and Steven Kramer
- **The 48 Laws of Power** by Robert Greene
- **The 7 Habits of Highly Effective People** by Stephen. R. Covey
- **Eat That Frog! 21 Great Ways to Stop Procrastinating and Get More Done in Less Time** by Brian Tracy
- **The Last Lecture** by Randy Pausch
- **Make Your Bed: Little Things That Can Change Your Life...And Maybe the World** by Admiral William H. McRaven

Suggested Books

- Give and Take: Why Helping Others Drives Our Success by Adam M. Grant
- Originals: How Non-Conformists Move the World by Adam Grant and Sheryl Sandberg
- Rich Dad Poor Dad by Robert Kiyosaki
- Smarter, Faster, Better by Charles Duhigg
- Think and Grow Rich by Napoleon Hill
- How to Win Friends & Influence People by Dale Carnegie
- The Power of Positive Thinking for Young People by Norman Vincent Peale
- Failing Forward by John C. Maxwell

Suggested Videos

For Life and Personal Development

- ➢ The Last Lecture by Randy Pausch
- ➢ Make Your Bed: A Commencement Speech by Admiral William H. McRaven
- ➢ The Power of Believing that You Can Improve by Carol Dweck
- ➢ Grit: The power of passion and perseverance by Angela Lee Duckworth

Managing Money

- ➢ Your Money and Your Mind with Wendy De La Rosa (Series of TED Talks)
- ➢ How to spend your money (A Series of TED Talks)
- ➢ How to take charge of your personal finances (A Series of TED Talks)
- ➢ MORE Financial Literacy Lessons

Careers and career paths

- ➢ Tips and tricks to start (and continue) your professional journey
- ➢ Everything You Need to Know About Finance and Investing in Under an Hour

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