Financial Literacy Boot Camp

Sendero Wealth Management

5 GOLDEN RULES OF PERSONAL FINANCE

1. Spend less than you earn
2. Avoid bad debt
3. Invest early and often
4. Set goals with a plan
5. Be patient

BANKING

What accounts do you need?

- Checking account
- Savings account
- Investment account
- Credit card account

Organize your Income!

50% Needs	30% Wants	20% Savings & Investments
Housing	Restaurants	Emergency Fund
Food	Entertainment	RRSPS/401k
Transportation	Vacations	Stocks/ETFs
Medical	Luxury Items	Rental Property
Expenses	Electronics	Bonds/Mutual Funds
Essential Debt	Concerts	

Emergency Fund

- Why do you need an emergency fund?
  - Job loss
  - Car repairs
  - Medical emergencies
  - Home fixes
- Have 3-6 month's expenses

DEBT

What is debt?

- Money that you owe
- Types of Debt
  - Credit card
  - Mortgage
  - Student loan
  - Auto loan
  - Small business

Paying down debt

- Main strategies for paying down debt
  - Avalanche method
    - Pay off debts with highest interest rates first
  - Snowball method
    - Pay off smallest balances first

INSURANCE

What is the purpose of insurance?

- To protect the holder against major financial loss

Types of Insurance Policies You May Need in Your Lifetime

- Health insurance
- Life insurance
- Disability insurance
- Homeowners and Renters insurance
- Auto insurance

TAXES

What are Taxes?

- Funds that people & companies pay to the government
- Different types of taxes
  - Personal income
  - Sales
  - Capital gains
  - Estate
  - Property
  - Corporate income

Difference between a W-2 and a W-4

- A W-2 is provided to employees and the IRS by their employer by the end of January of the following year.
- A W-4 is filed by an employee whenever they begin a new job.
  - Make sure to write exempt if you don't plan to make more than $14,600 (standard deduction for 2024)

INVESTING

What is Investing?

- Committing money, time, and/or energy for a future benefit

Why should we invest?

- It helps you grow wealth, makes your money work for you, and creates personal and professional freedom
- You have the opportunity to take your money and allow it to generate more money. So, take it!

Compound interest

- Interest earned on money that was previously earned as interest

Investments to Start With

- Stocks, bonds, mutual funds, index fund, and ETFs

Stocks

- Ownership stakes in companies
- Buy shares in a company

- Make money through price gains and/or dividends

Bonds

- A bond is an IOU
- An investor lends issuer/borrower money and is paid back with interest
- Bonds can be issued by governments or corporations
- Characteristics of bonds
    - Maturity date
    - Fixed interest rate
    - Less risky than stocks
    - Decreased liquidity

Mutual Funds

- Investors pool money into a mutual fund which invests in securities to generate returns for the investor
- Benefits
    - Affordable
    - Diversified
    - Easy to cash out
    - Professionally managed
    - Well regulated

Index Funds

- Funds that copy performance of an index
- Hold same securities as index in same proportions
- Benefits
    - Diversification
    - low cost
    - Solid track record

ETFs

- Exchange - Traded Funds
- Most replicate index movement
- ETFs vs. Mutual Funds
    - ETFs can be bought and sold throughout the day
    - Mutual Funds trade only once a day

Active vs. Index Investing		
Goal:	Beat the market	Match the market
How:	Seek out only the best investments	Hold same investments as index in same proportions
Key Benefit:	Chance at above-average returns	Low cost

Short-Term and Long-Term Capital Gains Tax

- Short-term capital gains is a tax on profits from the sale of an asset held for less than one year
- Short-term capital gains equals federal marginal income tax rate

Types of Investment Accounts

- Taxable Brokerage
- Roth IRA
- Traditional IRA
- 401(k)

Roth IRA

- How it works
    - Open an account
    - Contribute after - tax money
    - Money grows tax free
    - Withdraw tax free in retirement
- Benefits
    - Can withdraw contributions penalty - free anytime
    - Use for a first-time home purchase
    - Many investment choices

Traditional IRA: contribute pre-tax
grows tax deferred
pay taxes on withdrawals

Roth IRA: contribute after tax
grows tax free
No taxes on withdrawals

IRA:

- Individual sets up Investment account

401(K):

- Employer-sponsored retirement plan
- Employer creates and may contribute account for employee (matching)
- Employee can contribute a % of each paycheck
- Both an IRA and 401(K) have potential investment growth, tax advantages, and build your wealth

Why invest long term?

- History has shown the longer the period, the greater the chances of a positive outcome
- Time in the market > timing the market

6 Steps for Young Adults to Build a Financial Foundation

1. Create a budget
2. Build an emergency fund
3. Pay your bills on time
4. Use credit wisely
5. Contribute to a Roth IRA and/or workplace 401(K)
6. Live within your means