

# SENDERO WEALTH MANAGEMENT

## Financial Literacy Boot Camp



114811	092020
114811	092020
114922	114811
114922	114811
114940	114922
114940	114940
115029	115029
115029	115029
183912	CS00001
211550	KMP00001
180708	023 KMP00003
091349	0923 KMP00002





Move

Your Money Values



## Directions:

- On each slide, you'll see a statement about money.
- Decide whether you **strongly agree, agree, disagree, or strongly disagree** with the statement. Then, move to the corresponding area.
- There is no right or wrong answer; respond based on how you feel



**Money can buy  
happiness.**



**Social media has a negative impact on my financial decisions.**



**As a teenager, I don't really need to worry about money.**



**I feel loved when  
people buy me things.**





**I hate thinking about or  
talking about money.**



**Changing a financial habit is easy as long as I'm disciplined & have a plan.**



**If I need to borrow \$250,  
it's better to do so from a  
friend or family member  
than a bank or using a  
credit card.**



**Anyone can become a  
millionaire if they work  
hard.**



**I feel confident making  
decisions with money.**



**Money distracts from  
the things that really  
matter in life.**



**With enough money,  
you can do whatever  
you want.**



**I'd do anything to help my family - even it meant taking on more financial strain for myself.**





**I'd rather save money  
than spend it.**



**Sometimes I buy things  
just to impress other  
people.**



**Having money gives you  
power and freedom.**



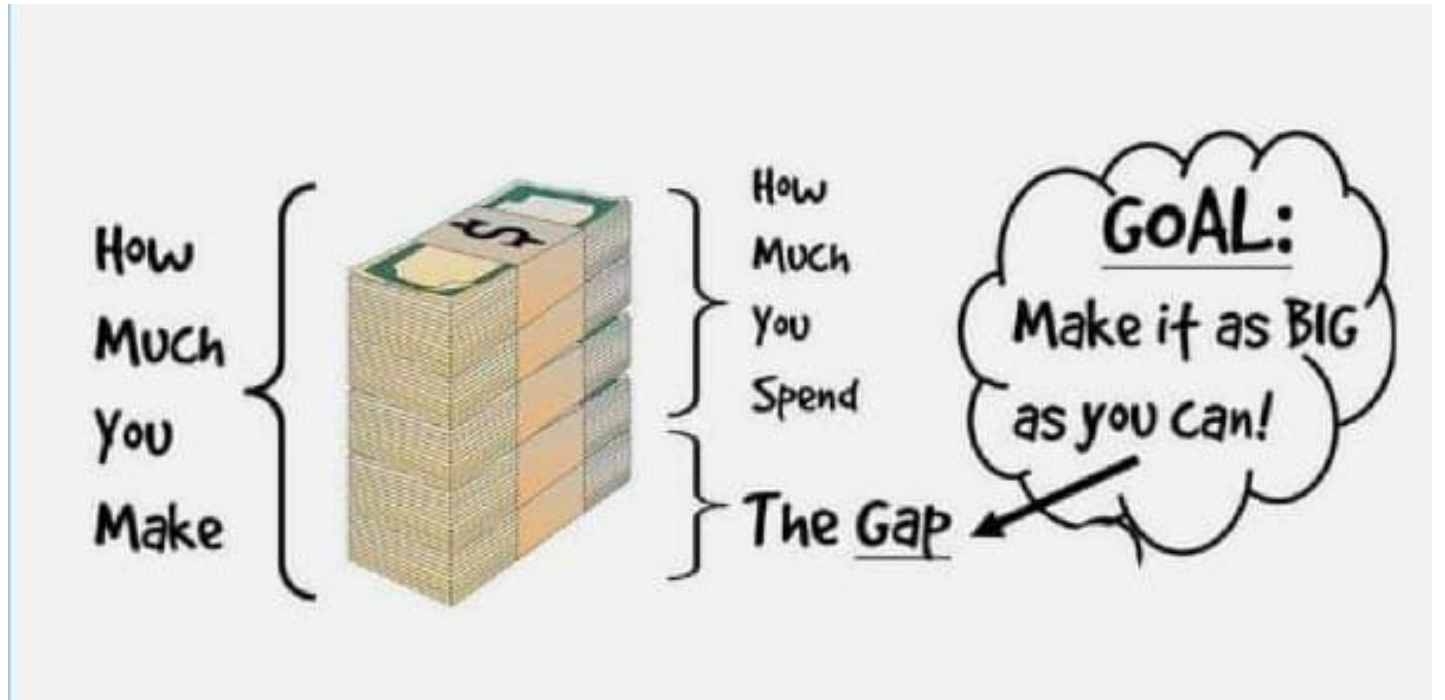
**My cultural background impacts how I make financial decisions.**

Which financial topic do you think you should have learned more about in high school?

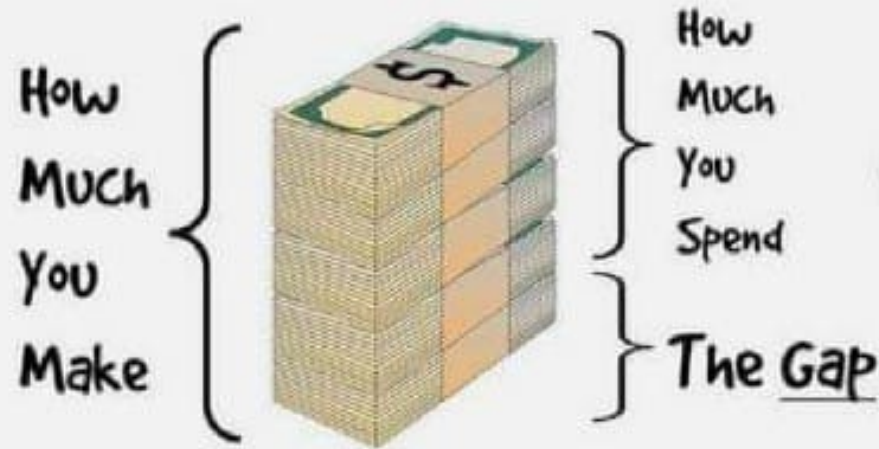


# 5 Golden Rules of Personal Finance

#1



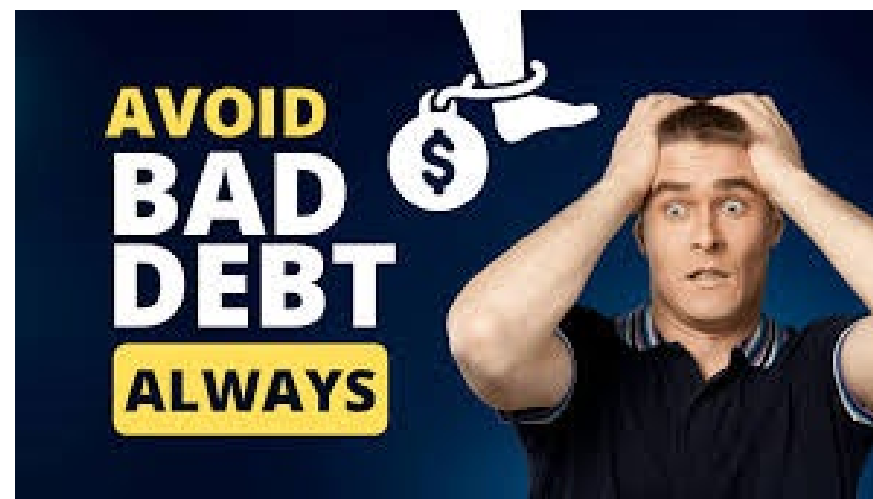
#1



**The MOST Important Thing**  
**Spend LESS than you EARN.**



#2



Mortgage/  
House



Education



Business  
Ownership



Investing/  
Investment Loan



Car Loan



Credit Cards



Store Credit



Cash Advance/  
EZ Pay Loans

Invest Early!  
Invest Often!

#3

## INVESTING EARLY MATTERS

Parents invested

from age 0 - 18:



Invest \$500/yr

Contributions

**\$9,000**

Age 65

Investing as teen

from age 15 - 35:



Invest \$1,000/yr

Contributions

**\$20,000**

Age 65

Investing as adult

from age 35 - 65:



Invest \$5,000/yr

Contributions

**\$150,000**

Age 65

Invest Early!  
Invest Often!

#3

## INVESTING EARLY MATTERS

Parents invested

from age 0 - 18:



Invest \$500/yr

Contributions

**\$9,000**

Age 65

**\$2,010,000**

Investing as teen

from age 15 - 35:



Invest \$1,000/yr

Contributions

**\$20,000**

Age 65

**\$999,415**

Investing as adult

from age 35 - 65:



Invest \$5,000/yr

Contributions

**\$150,000**

Age 65

**\$822,470**

#4



# Be Patient!

#5

**Paying off debt?** It won't go away overnight.

**Investing for retirement?** You won't have a million for awhile.

**Starting a business?** It won't be profitable from day one.



# BANKING

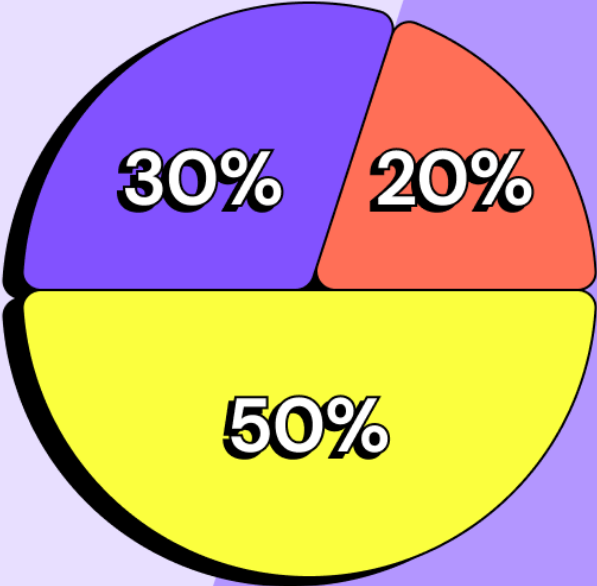


—  
What accounts do you need?



Organize  
your  
income

The  
50/30/20  
rule





# 50/30/20 RULE

**NEEDS**



**HOUSING**

**FOOD**

**TRANSPORTATION**

**MEDICAL**

**EXPENSES**

**ESSENTIAL DEBT**

**WANTS**



**RESTAURANTS**

**ENTERTAINMENT**

**VACATIONS**

**LUXURY ITEMS**

**ELECTRONICS**

**CONCERTS**

**SAVINGS &  
INVESTMENTS**



**EMERGENCY FUND**

**RRSPS/401K**

**STOCKS/ETFs**

**RENTAL PROPERTY**

**BONDS/ MUTUAL**

**FUNDS**

Emergency fund  
(for what & how much?)



Job Loss



Car Repairs



Medical Emergencies



Home Fixes

Emergency Fund

Emergency Fund



Have

3-6

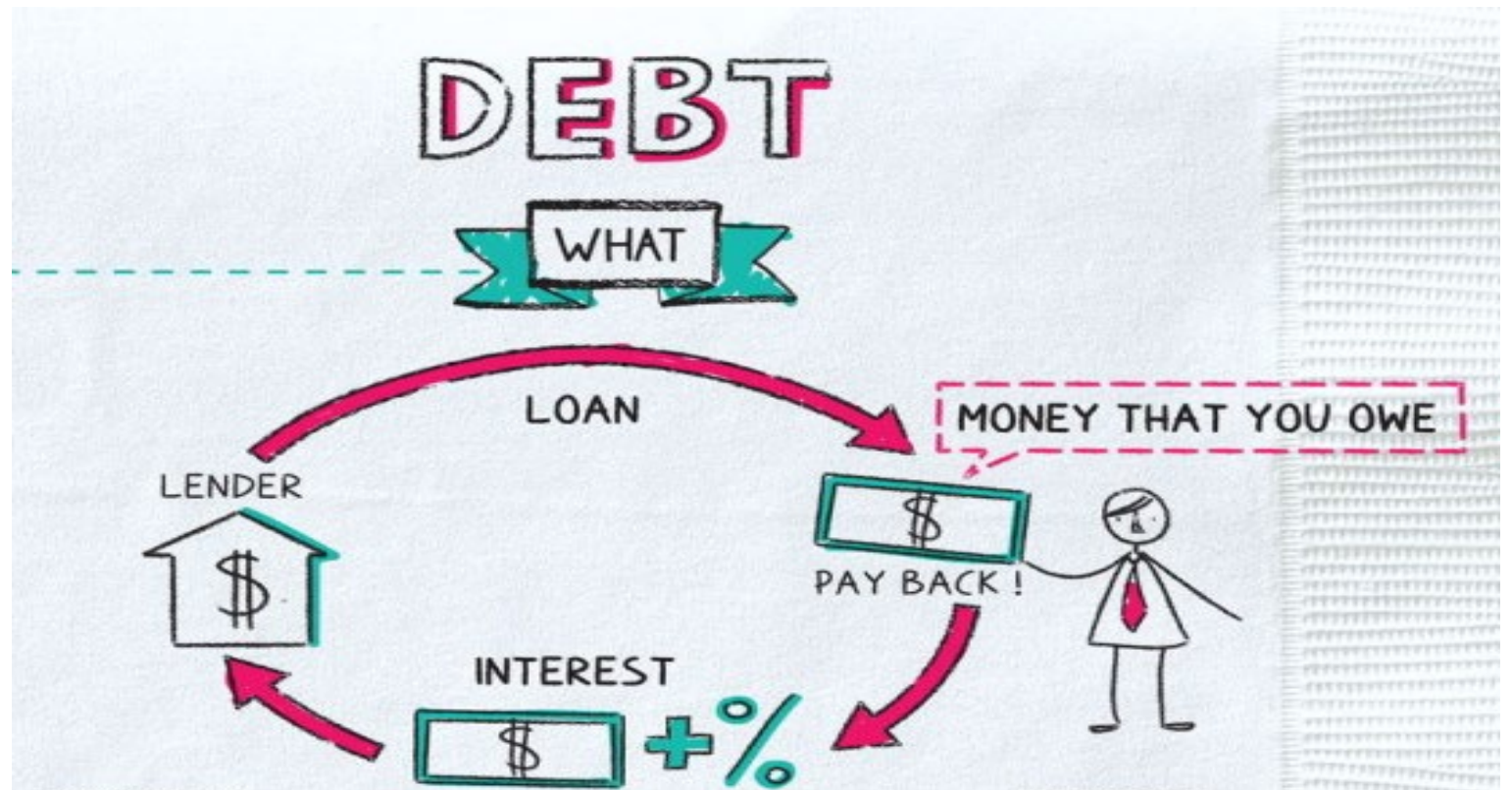
months' expenses

saved in an emergency fund

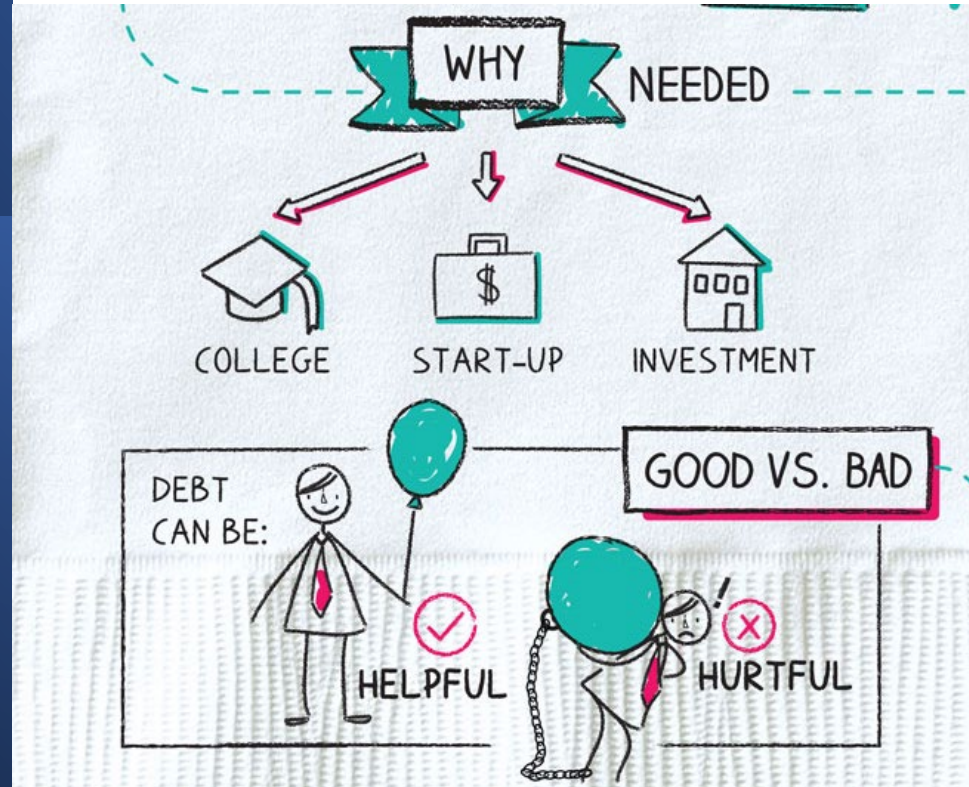
DEBT



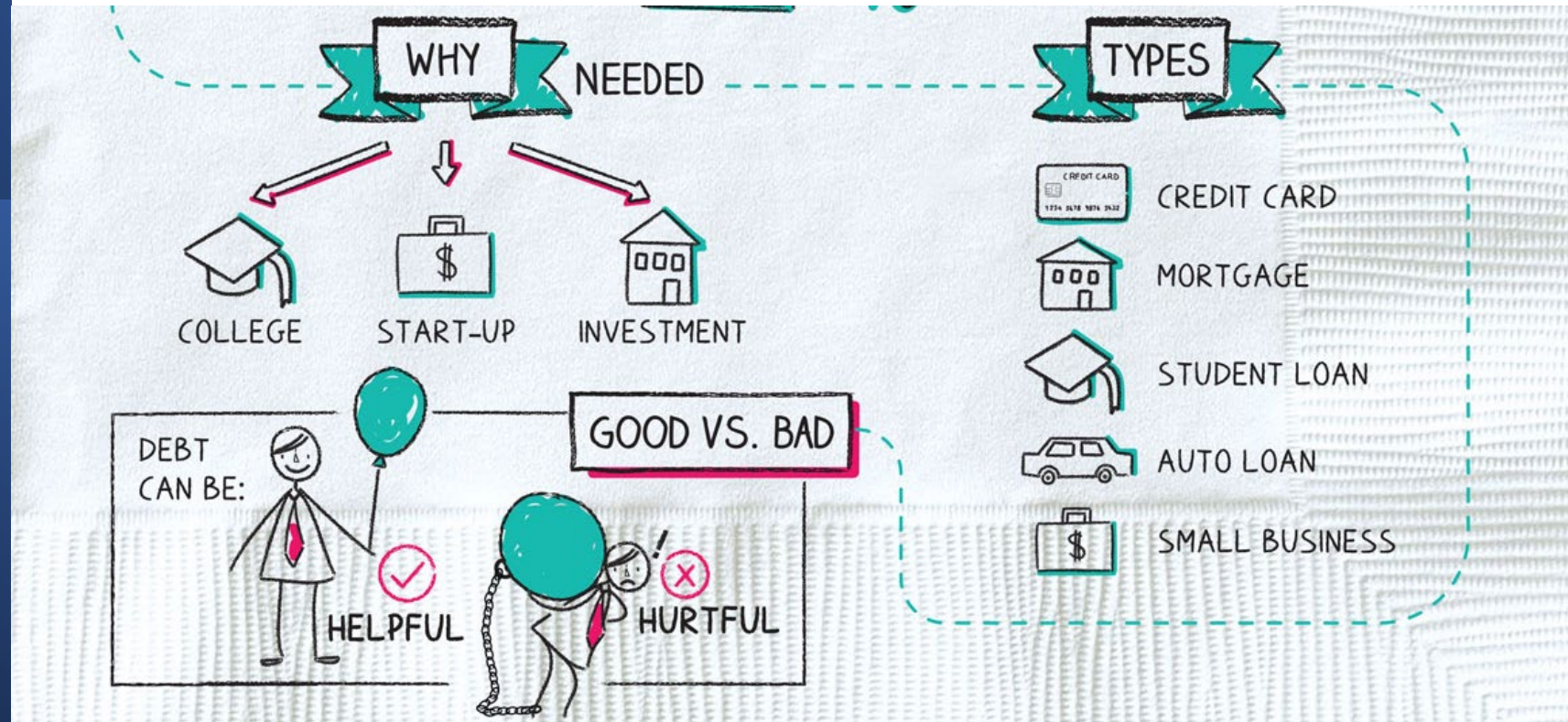
# What is Debt?



# Why & Types of Debt



# Why & Types of Debt



# PAYING DOWN DEBT



# PAYING DOWN DEBT

WAYS TO HELP YOU MAKE FASTER PROGRESS



MAIN STRATEGIES



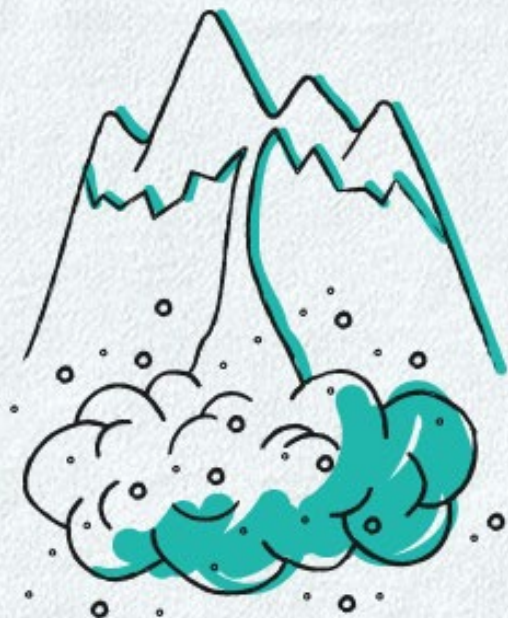
# PAYING DOWN DEBT

WAYS TO HELP YOU MAKE FASTER PROGRESS

## MAIN STRATEGIES

### AVALANCHE METHOD

PAY OFF DEBTS  
WITH HIGHEST  
INTEREST RATES  
FIRST



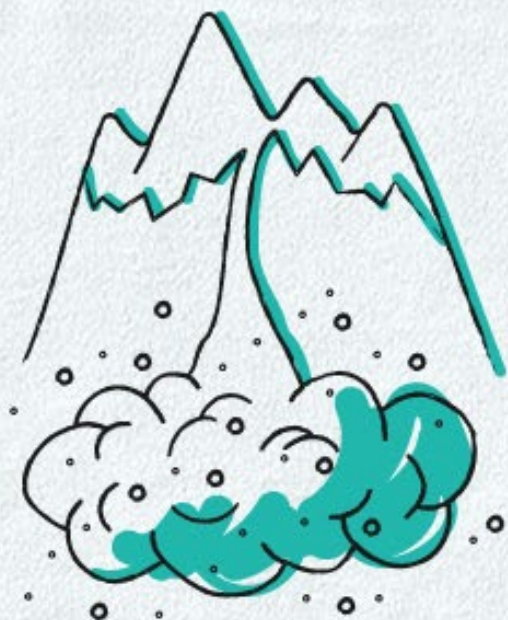
# PAYING DOWN DEBT

WAYS TO HELP YOU MAKE FASTER PROGRESS

## MAIN STRATEGIES

### AVALANCHE METHOD

PAY OFF DEBTS WITH HIGHEST INTEREST RATES FIRST



### SNOWBALL METHOD

PAY OFF SMALLEST BALANCES FIRST



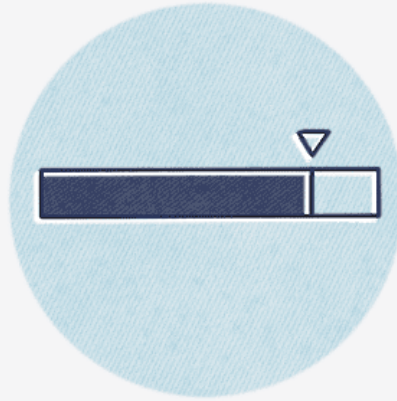


FICO Score	Rating	What the Score Means
< 580	Poor	<ul style="list-style-type: none"><li>• Well below average</li><li>• Demonstrates to lenders that you're a risky borrower</li></ul>
580 – 669	Fair	<ul style="list-style-type: none"><li>• Below average</li><li>• Many lenders will approve loans</li></ul>
670 – 739	Good	<ul style="list-style-type: none"><li>• Near or slightly above average</li><li>• Most lenders consider this a good score</li></ul>
740 – 799	Very Good	<ul style="list-style-type: none"><li>• Above average</li><li>• Demonstrates to lenders you're a very dependable borrower</li></ul>
800+	Exceptional	<ul style="list-style-type: none"><li>• Well above average</li><li>• Demonstrates to lenders you're an exceptional borrower</li></ul>

# Factors that Lower Credit Scores



Late or missed payments



Too much credit in use



A short credit history, or none at all



Too many requests for new lines of credit



Too few types of credit

A large field of black umbrellas, with one bright yellow umbrella standing out prominently in the center. The word "Insurance" is written in white text across the yellow umbrella.

Insurance

What is the purpose of insurance?

## Purpose of Insurance

- The main purpose of any type of insurance is to protect the holder against major financial loss.

## **Types of Insurance Policies You May Need in Your Lifetime**





Health Insurance



Health Insurance



Life Insurance



Health Insurance



Life Insurance



Disability Insurance



Health Insurance



Life Insurance



Disability Insurance



Homeowners and  
Renters Insurance



Health Insurance



Life Insurance



Disability Insurance



Homeowners and  
Renters Insurance



Auto Insurance

# PLAY: Will Their Auto Insurance Premium Change?

For each scenario, you will determine if the individual's auto insurance premium is likely to increase, decrease, or stay the same.

NOTE: You can refer to [Key Factors That Affect Car Insurance Rates](#) to help you answer the questions in this activity.

## SCENARIO #1

### #1: THEA

Thea used to live in a dense urban neighborhood with a lot of traffic and street parking. She just moved to a suburb with low traffic and she has a driveway.

### Question:

Do you expect Thea's auto insurance to increase, decrease, or stay the same after her move?

## SCENARIO #1: ANSWER

Thea's auto insurance premium will likely **decrease** because she is moving into an area where it is less likely for her car to be damaged.



## SCENARIO #2

### #2: JESSICA

Jessica is moving from Arkansas, where her minimum coverage for accidents was \$50,000 per accident, to Alaska, where her minimum coverage for accidents is \$100,000.

### Question:

Do you expect Jessica's auto insurance to go increase, decrease, or stay the same after her move?

## SCENARIO #2: ANSWERS

Jessica's auto insurance premium will likely **increase** because she is moving to a state that requires higher minimum insurance coverage.

## SCENARIO #3

### #3: JAVIER

Javier just got married!

## Question:

Do you expect Javier's auto insurance to increase, decrease, or stay the same after getting married?

## SCENARIO #3: ANSWER

Javier's auto insurance premium will likely **decrease** because married couples tend to be safer drivers.

## SCENARIO #4

### #4: DESEAN

Oh no! Desean got into a car accident, but it wasn't his fault. He previously had a clean driving record.

### Question:

Do you expect Desean's auto insurance to increase, decrease, or stay the same after getting into a car accident?

## SCENARIO #4: ANSWERS

Desean's auto insurance premium will likely **increase** even though the accident was not his fault. However, the increase will probably be smaller than if the accident had been his fault.

## SCENARIO #5

### #5: Everly

Everly has gotten behind on a lot of bills and missed several payments. As a result, her credit score has gone down significantly.

### Question:

Do you expect Everly's auto insurance to increase, decrease, or stay the same after attaining a lower credit score?

## SCENARIO #5: ANSWER

Everly's auto insurance premiums will **increase**. Credit history is an important factor that is considered when calculating an insurance premium.



## SCENARIO #6

### #6: Asia

Asia just celebrated her 26th birthday!

### Question:

Do you expect Asia's auto insurance to increase, decrease, or stay the same after having a birthday?

## SCENARIO #6: ANSWER

Asia's auto insurance premium will **decrease** a little. After the age of 25, insurance premiums tend to decrease slowly but then increase after the age of 65.

## SCENARIO #7

### #7: Jiang

Jiang just got a new job. He used to work from home but now commutes about 10 miles each way to an office.

### Question:

Do you expect Jiang's auto insurance to increase, decrease, or stay the same after getting a new job?

## SCENARIO #7: ANSWER

Jiang's auto insurance premium will likely **increase** a little. The number of miles that you drive a vehicle affects the overall premium and they will probably be asked how long their commute is when they get new insurance.



# Imagine Your Future...

*Picture yourself as an independent adult, post-college, starting your first career...*

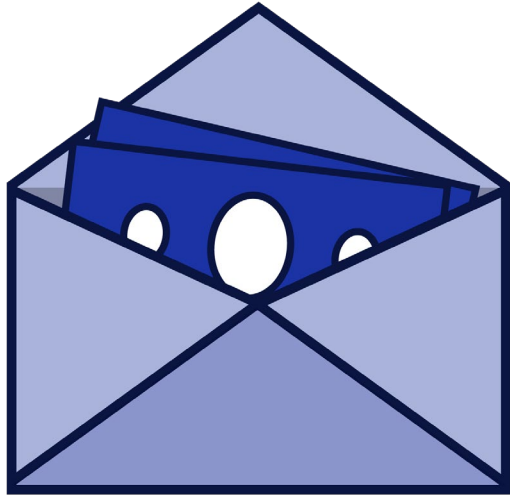


- **Where do you live?**
- **How do you envision your lifestyle?**
- **How do you spend your free time?**



# Starting income

Median starting salary, college graduate 2020:



**GROSS PAY**

**\$55,260 per year**

*(\$4,605 per month)*

# Paycheck Deductions

Your Pay Check Results		Calculation based on	
Monthly Gross Pay:	<b>\$4605</b>	Tax Year	<b>2022</b>
Federal Withholding:	<b>\$490.27</b>	Gross Pay	<b>\$55,260</b>
FICA	<b>\$285.51</b>	Pay Frequency	<b>Monthly</b>
Medicare	<b>\$66.77</b>	Federal Filing Status	<b>Single</b>
Virginia	<b>\$217.31</b>	# of Federal Allowances	<b>1</b>
		Additional Federal W/H	<b>0</b>
		State	<b>Virginia</b>
NET PAY	<b>\$3,545.14</b>	Filing Status	<b>Single</b>
<b>MONTHLY NET PAY:</b> <b>\$3,545</b>		Allowances	<b>1</b>
		Add. Allowances	<b>0</b>
		Additional State W/H	<b>0</b>



# Fixed Payments



## STUDENT LOAN DEBT

Average debt:

**\$393**



## HEALTH INSURANCE

Average bronze premium:

**\$448**

# Saving & Retirement



How much will I save every month?		
A	B	C
5%	10%	15%
<b>\$177</b>	<b>\$355</b>	<b>\$532</b>

# Rent

How much will I pay for half of a 2-bedroom?

A



**\$552**

B



**\$770**

C



**\$895**



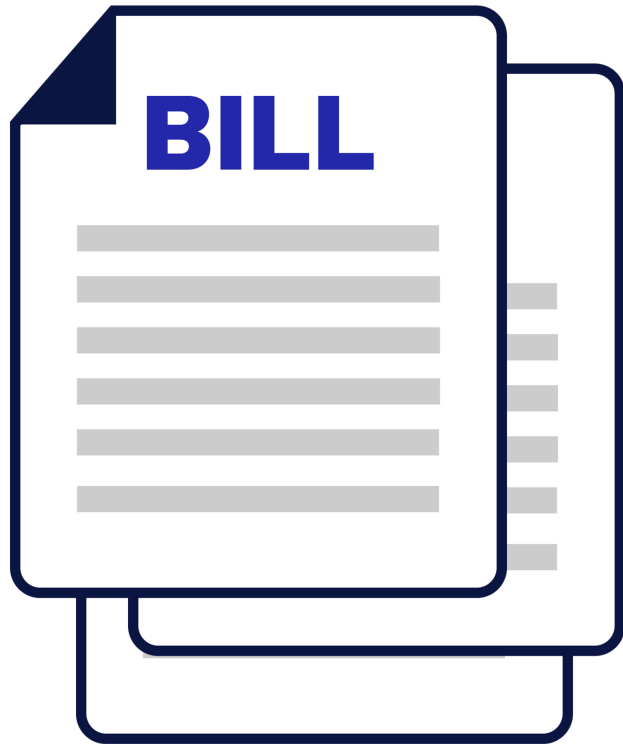
# Renters Insurance



Do I choose to get renters insurance?	
\$15	
YES	NO



# Utilities



- ❑ Electric & Gas: **\$90**
- ❑ Water & Sewer: **\$35**
- ❑ Trash & Recycling: **\$7**

**Total: \$132**

# Streaming

How much entertainment do I want?

A



\$13

B



\$14

C



\$65

# High-Speed Internet



How fast do I need to surf?

A

B

**\$30**

**\$36**

# Transportation

How will I commute & get around town?

A



Public Transit  
**\$67**

B



Used Car  
**\$465**

C



New Car  
**\$609**



# Car Ownership



- ❑ Insurance: **\$157**
- ❑ Maintenance: **\$66**
- ❑ Gas: **\$90**

**Total: \$313**

# Food

How much will I spend on food?

A



Low Cost  
**\$252**

B



Moderate Cost  
**\$312**

C



Liberal Cost  
**\$390**

# Cell Phone Plan

How much cell data do I need?

A

B

C

**Value  
Plan**

**Unlimited**

**Unlimited  
Elite**

**\$50**

**\$75**

**\$85**

# Basic Necessities



- ❑ Shower/bathroom products **\$17**
- ❑ Dental hygiene **\$10**
- ❑ Laundry **\$10**
- ❑ Kitchen/cleaning **\$25**

**Total: \$62**

# Clothes/Shoes

How much will I spend on clothes and shoes?

A



Thrifty  
**\$60**

B



Fast Fashion  
**\$120**

C



Designer  
**\$180**



# What about the fun stuff?

- ❑ Apple Music, Spotify Premium **\$5, \$10**
- ❑ Hair appointment **\$17/\$40/\$75**
- ❑ Gym Membership **\$58**
- ❑ Manicure **\$25**, Pedicure **\$40**

- ❑ Going out **\$240**
- ❑ Hobbies ?
- ❑ Vacations **\$170**
- ❑ Electronics **\$35**
- ❑ Donations ?
- ❑ Gifts **\$25**
- ❑ Pets **\$58**



# Taxes



TAXES 

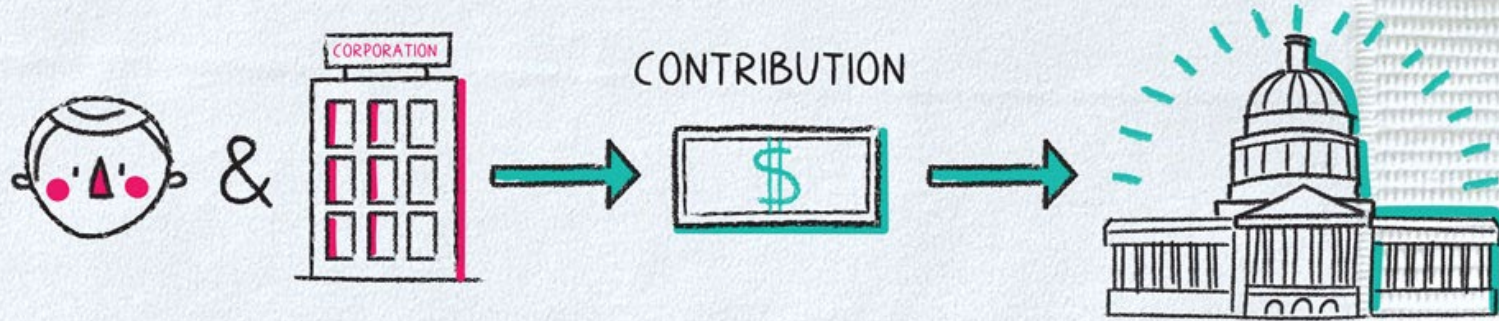
WHAT



# TAXES

WHAT

FUNDS THAT **PEOPLE & COMPANIES** PAY TO THE **GOVERNMENT**

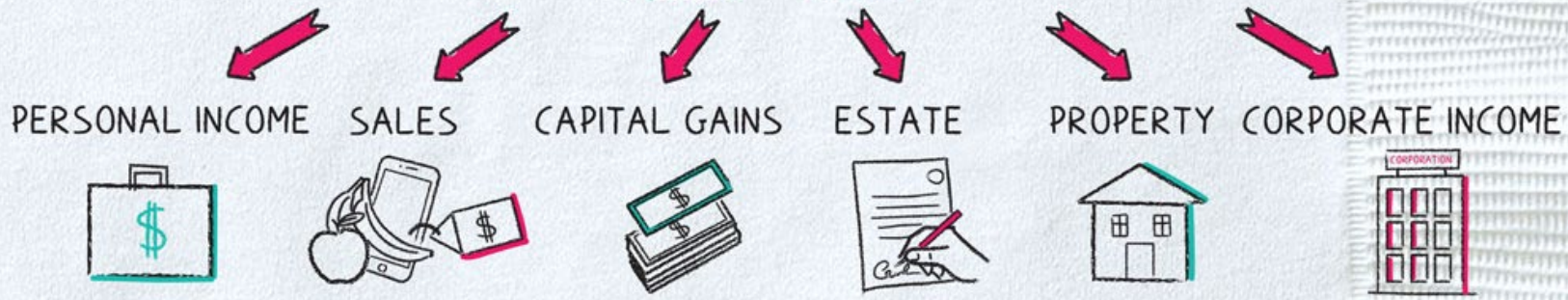




TYPES

OF TAXES

# TYPES OF TAXES



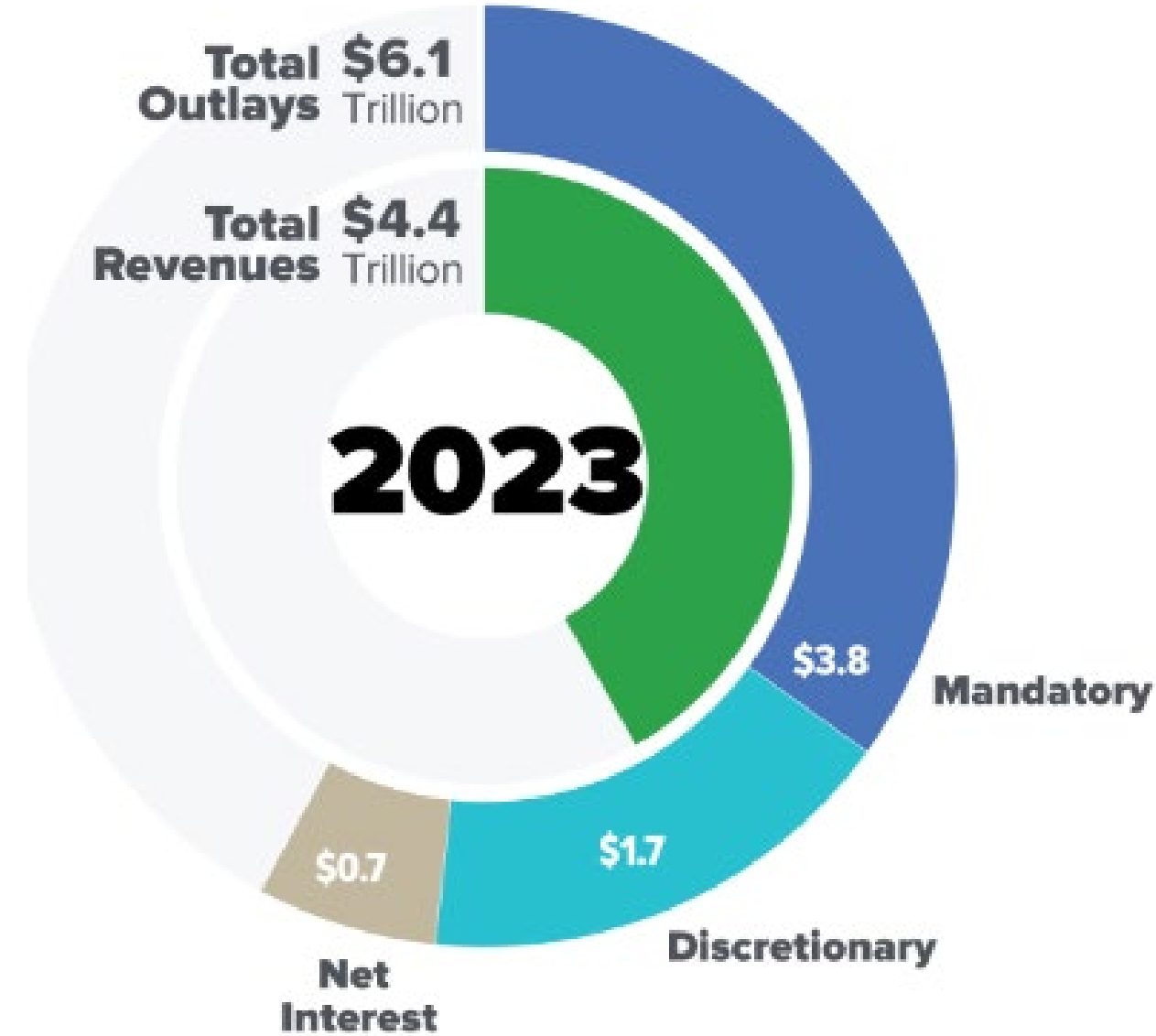
# WHERE TAXES GO

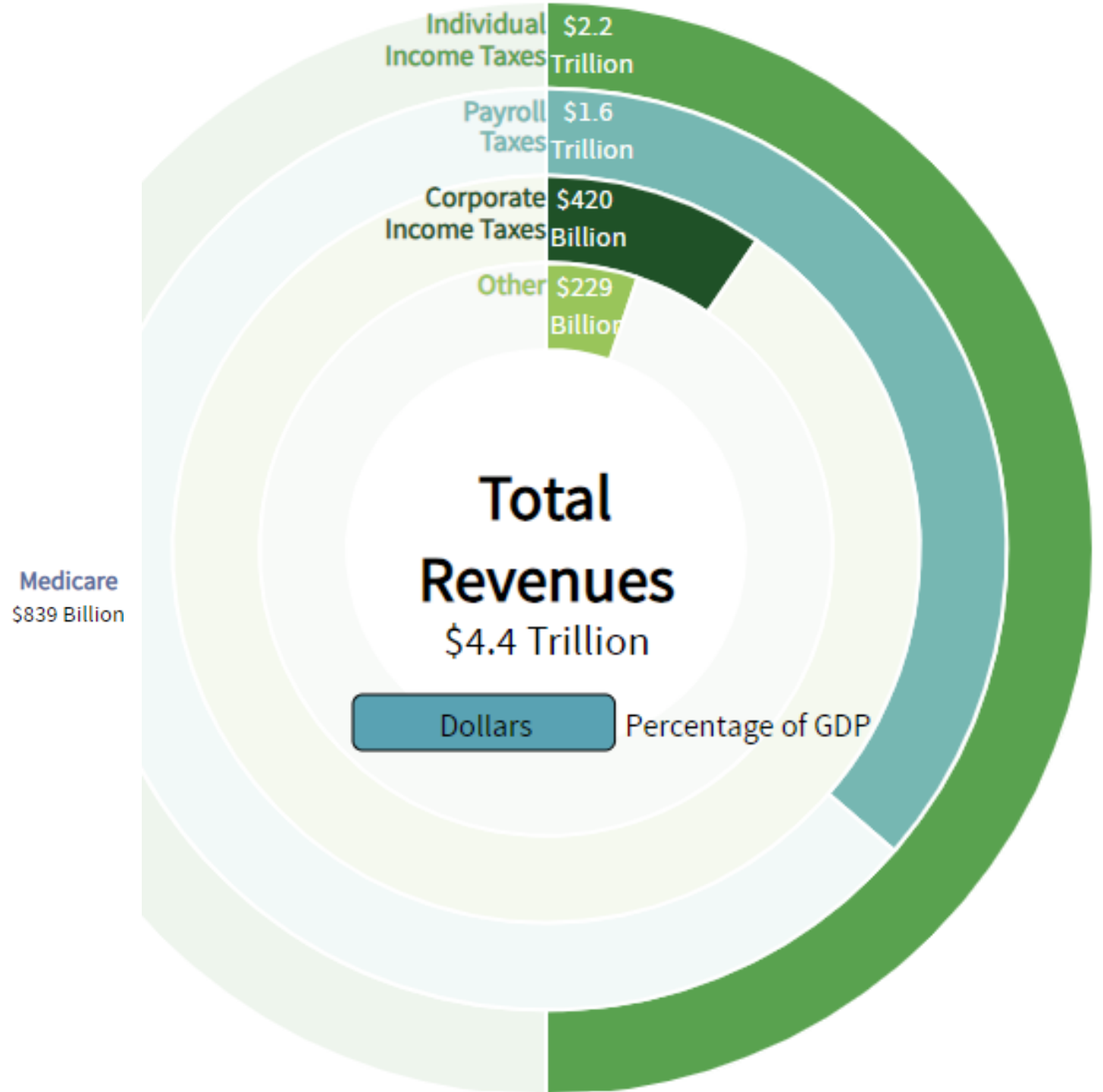
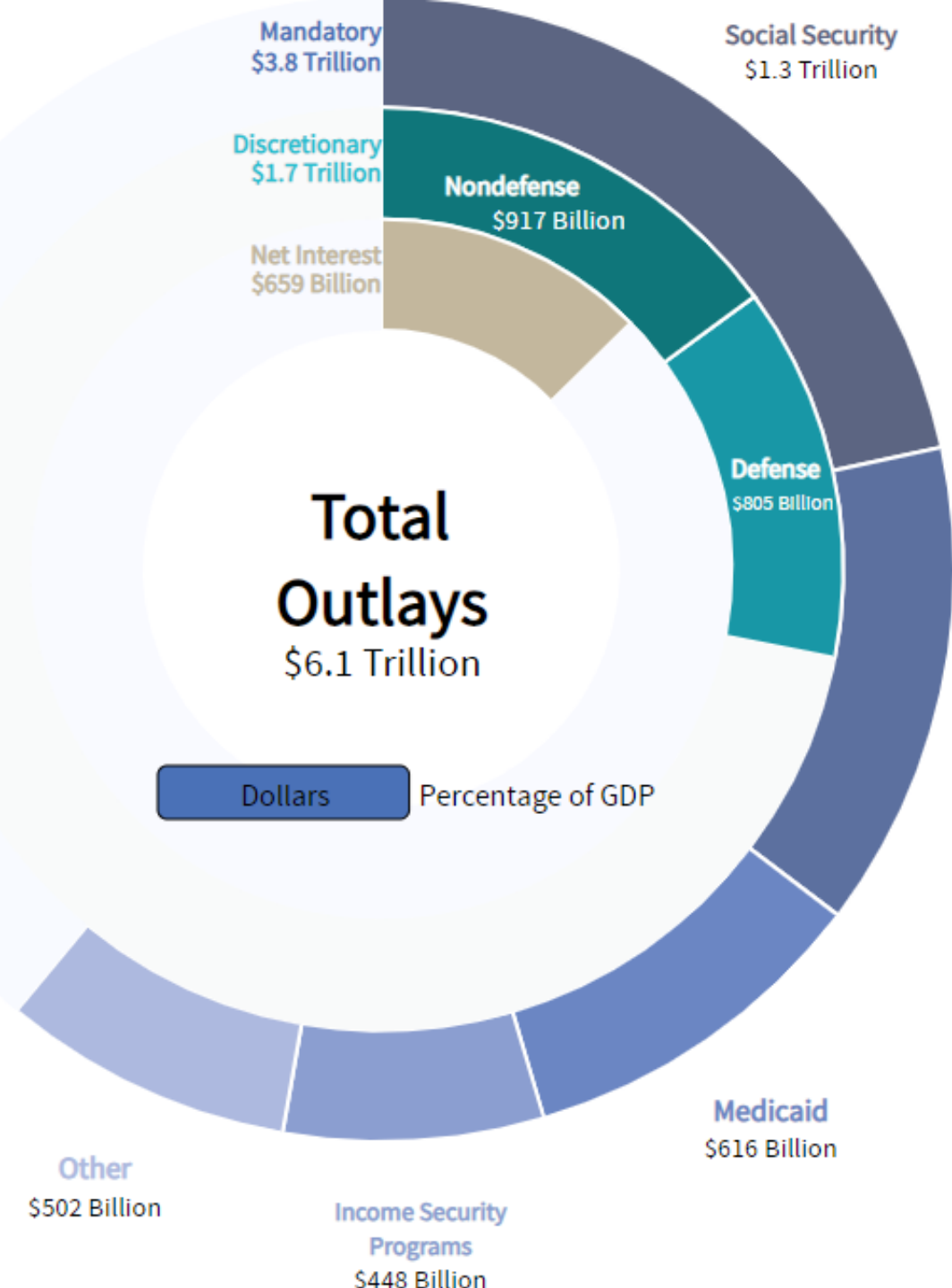


INTERESTING FACT!  
\* IN TEXAS \*

COWBOY BOOTS TAX-FREE  
HIKING BOOTS TAXED

# The Federal Budget in Fiscal Year 2023: An Infographic



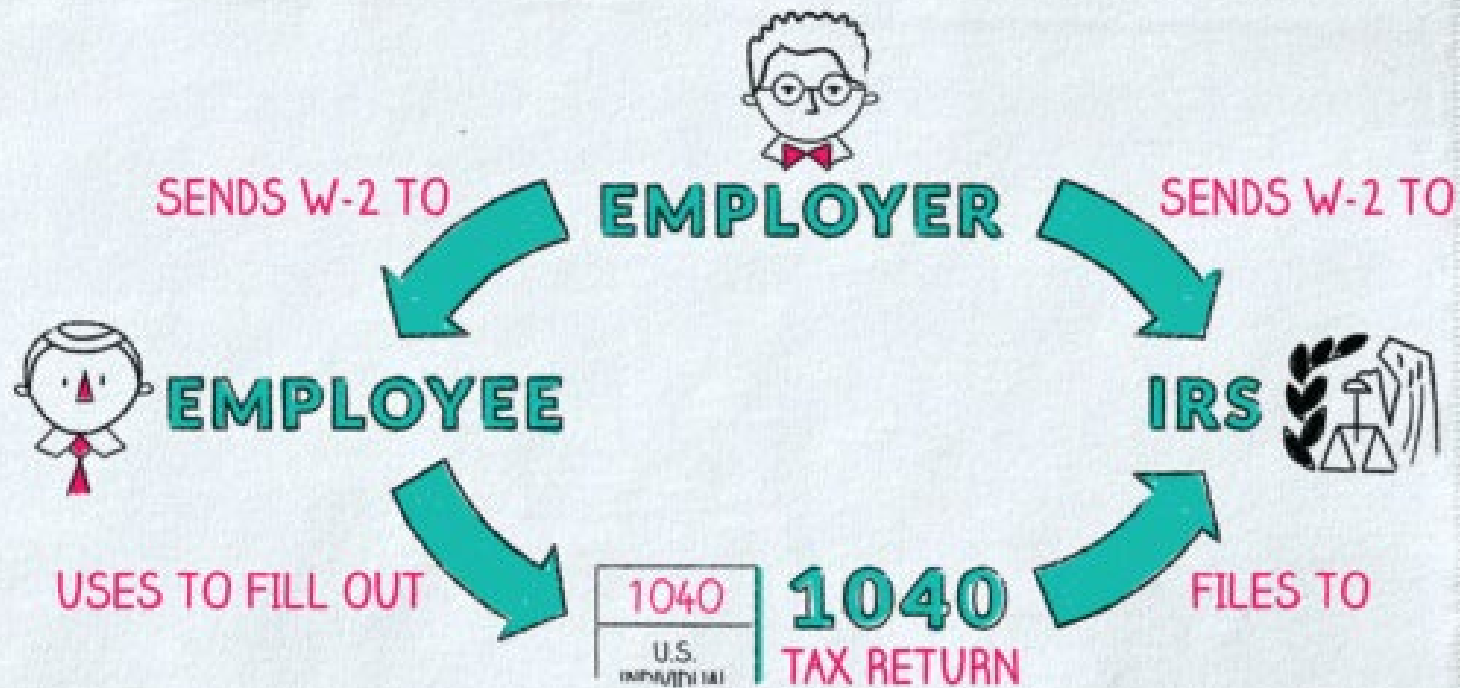




# W-2 FORM



TAX FORM EMPLOYER MUST FILL OUT  
**REPORTS AN EMPLOYEE'S TOTAL WAGES & TAXES WITHHELD**



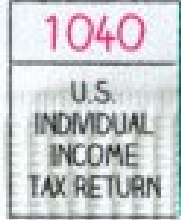


FORM W-2

FORM W-4



SENT TO EMPLOYEES  
AFTER END OF YEAR

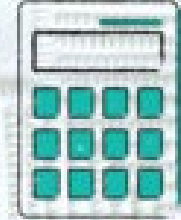


USED FOR  
1040

VS.



START OF A  
NEW JOB



USED TO CALCULATE  
WITHHOLDINGS

Napkin Finance

bove **or** from the applicable worksheet on page 2)

rcheck . . . . .

that I meet **both** of the following conditions for exemption.

x withheld because I had **no** tax liability, **and**

ield because I expect to have **no** tax liability

. . . . .

e and, to the best of my knowledge and belief, it is true, correct, and complete.

5	
6	\$ 20,000

▶ 7	exempt
-----	--------



(if sending to the IRS.)

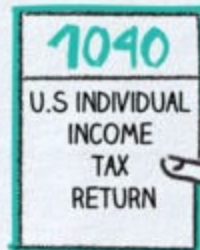
9 Office code (optional)

Employer identification number (EIN)

# TAX RETURNS

WHAT

FORM USED  
TO FILE  
TAXES WITH  
THE IRS



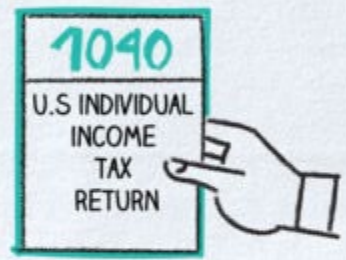
DEADLINE



# TAX RETURNS

WHAT

FORM USED  
TO FILE  
TAXES WITH  
THE IRS



DEADLINE



WHO



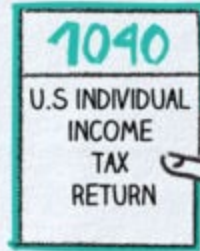
- \$12,400 SINGLE
- \$24,800 MARRIED / JOINTLY
- \$5 MARRIED / SEPARATELY
- \$18,650 HEAD OF HOUSEHOLD



# TAX RETURNS

WHAT

FORM USED  
TO FILE  
TAXES WITH  
THE IRS



DEADLINE



WHO



\$12,400 SINGLE  
\$24,800 MARRIED / JOINTLY  
\$5 MARRIED / SEPARATELY  
\$18,650 HEAD OF HOUSEHOLD



IMPORTANT TAX FORMS

W-2

EMPLOYER SENDS TO  
EMPLOYEE AND IRS

W-4

COMPLETED BY  
EMPLOYEE

1040

THE ACTUAL STANDARD  
FORM TAXPAYERS FILE  
WITH IRS

# MATH: Income Tax Brackets

How exactly do tax brackets work? When we file our taxes, where does the number for total tax come from?

In this activity, you will practice calculating your taxable income, reading a tax bracket table, and finding your total tax due based on how much you made in the calendar year.

*NOTE: This is just the fundamentals of how taxes are calculated and does not include further details like tax credits, itemized deductions, and unearned income.*

<b>Tax Rate</b>	<b>For Single Filers</b>	<b>For Married Individuals Filing Joint Returns</b>
10%	\$0 to \$11,000	\$0 to \$22,000
12%	\$11,000 to \$44,725	\$22,000 to \$89,450
22%	\$44,725 to \$95,375	\$89,450 to \$190,750
24%	\$95,375 to \$182,100	\$190,750 to \$364,200
32%	\$182,100 to \$231,250	\$364,200 to \$462,500
35%	\$231,250 to \$578,125	\$462,500 to \$693,750
37%	\$578,125 or more	\$693,750 or more

The standard deduction for 2023 is:

- \$13,850 for single filers
- \$27,700 for married and filing jointly

## Standard deduction

vs.

## Itemized deduction



A preset lump sum you can deduct from your taxable income



Certain qualified expenses you can report to reduce your taxable income



Pick the option that gives you the least taxable income.

Question 1

Answer

Felix has a gross income of \$18,000. What is his total tax due?

**\$415**

$$\text{\$18,000} - \text{\$13,850} = \text{\$4,150 (taxable income)}$$

**10%**

0

4,150

$$(4,150 - 0)$$

4,150

$$(.10)(4,150) = \text{Total taxes owed}$$

$$\text{\$415} = \text{\$415}$$



## Question 2

## Answer

Sarina made \$42,000 in the calendar year. How much does she owe in federal taxes?

**\$3,158.00**

$$\$42,000 - \$13,850 = \$28,150 \text{ (taxable income)}$$



$$(.10)(11,000) + (.12)(17,150) = \text{Total taxes owed}$$

$$\$1,100 + \$2,058 = \$3,158$$

## Question 3

Answer

Kennedy has a gross income of \$105,000. What is her total tax due?

**\$15,360.50**

$$\$105,000 - \$13,850 = \$91,150 \text{ (taxable income)}$$

10%	12%	22%
0	11,000	44,725
(11,000 - 0)	(44,725 - 11,000)	(91,150 - 44,725)
11,000	33,725	46,425

$$(.10)(11,000) + (.12)(33,725) + (.22)(46,425) = \text{Total taxes owed}$$

$$\$1,100 + \$4,047 + \$10,213.50 = \$15,360.50$$

## Question 4

## Answer

Alex and Tory are married and filing jointly. Their gross income is \$150,000. How much do they owe in federal taxes?

**\$17,521**

$$\text{\$150,000} - \text{\$27,700} = \text{\$122,300 (taxable income)}$$

10%	12%	22%
0	22,000	89,450
		122,300
(22,000 - 0)	(89,450 - 22,000)	(122,300 - 89,450)
22,000	67,450	32,850

$$(.10)(22,000) + (.12)(67,450) + (.22)(32,850) = \text{Total taxes owed}$$

$$\text{\$2,200} + \text{\$8,094} + \text{\$7,227} = \text{\$17,521}$$

When talking about taxes, it's important to keep in mind the difference between marginal tax rate and effective tax rate.

- **Marginal tax rate:** The highest tax bracket that your taxable income falls in.
- **Effective tax rate:** The actual percentage of your taxable income that you end up paying in taxes.

## Question 5

## Answer

Aiden has a gross income of \$63,000 and takes the standard deduction. Their total taxes due are \$6,120.50.

- a) What is their taxable income?
- b) What is their marginal tax rate?
- c) What is their effective tax rate? Round to the nearest hundredth of a percent.

$$\$63,000 - \$13,850 = \$49,150$$

$$6,120.50 / 49,150 = 0.1245$$

$$0.1245 = 12.45\%$$

- a) **\$49,150**
- b) **22%**
- c) **12.45%**

## Question 6

## Answer

Liam has a gross income of \$120,000 and takes the standard deduction.

- a) What are his total taxes due?
- b) What is his marginal tax rate?
- c) What is his effective tax rate? Round to the nearest hundredth of a percent.

- a) **\$18,876.00**
- b) **24%**
- c) **17.78%**

$$\$120,000 - \$13,850 = \$106,150 \text{ (taxable income)}$$

$$0.10(11,000) + 0.12(44,725 - 11,000) + 0.22(95,375 - 44,755) + 0.24(106,150 - 95,375) = \text{Total}$$

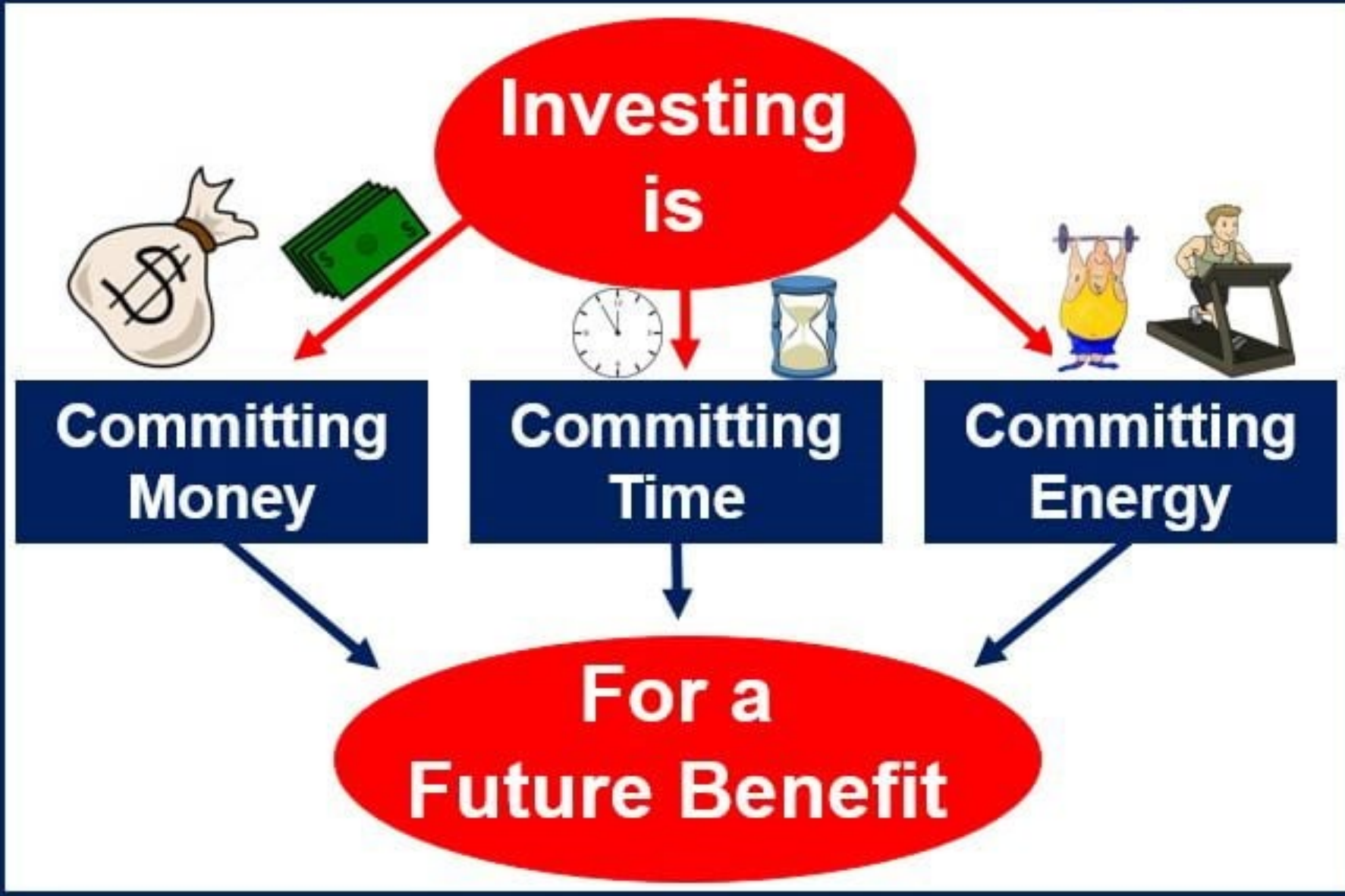
$$1,100 + 4,047 + 11,143 + 2,586 = \$18,876$$

$$18,876/106,150 = 0.1778$$

$$0.1778 = 17.78\%$$

# What is Investing?

# What is Investing?







Why should we invest?

*Investing is valuable for multiple reasons. It helps you grow wealth, makes your money work for you, and creates personal and professional freedom*

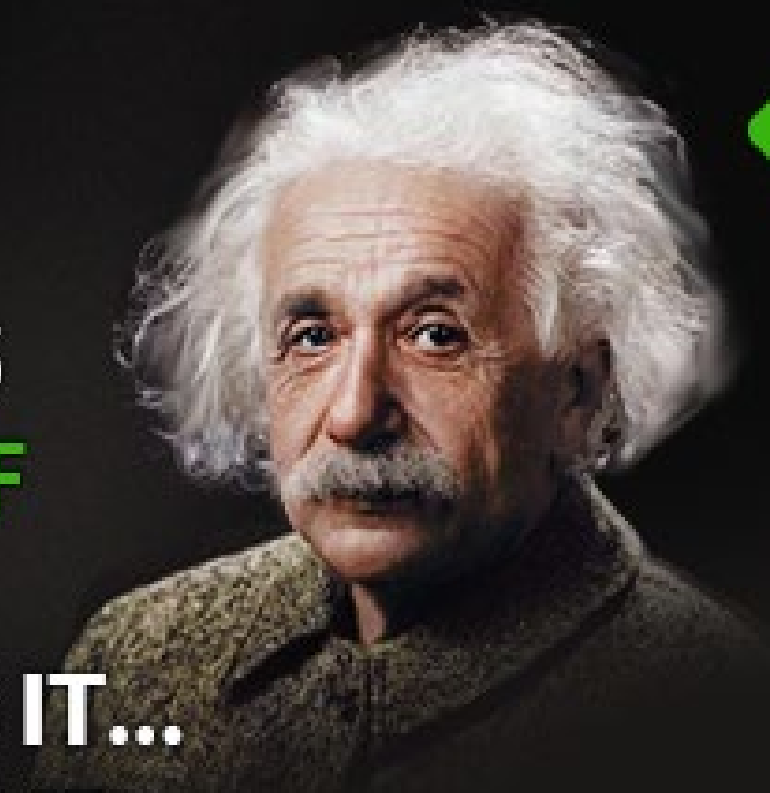
Investing



Not investing



**Key takeaway:** You have the opportunity to take your money and allow it to generate more money. So, take it!



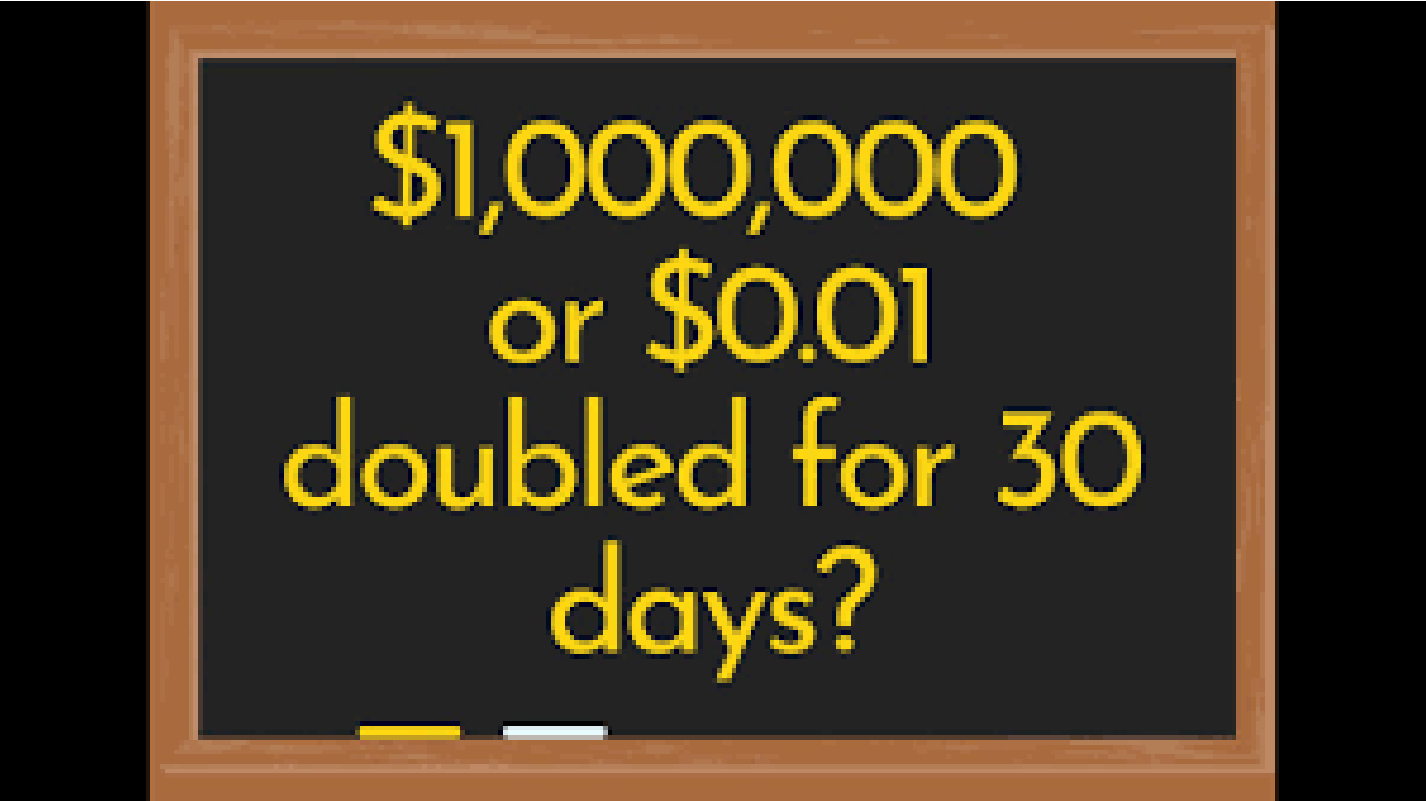
”

COMPOUND INTEREST IS  
THE EIGHTH **WONDER OF  
THE WORLD.** HE WHO  
UNDERSTANDS IT EARNS IT...  
HE WHO DOESN'T... PAYS IT.

Albert Einstein

Theoretical Physicist

Which would  
you rather  
have?



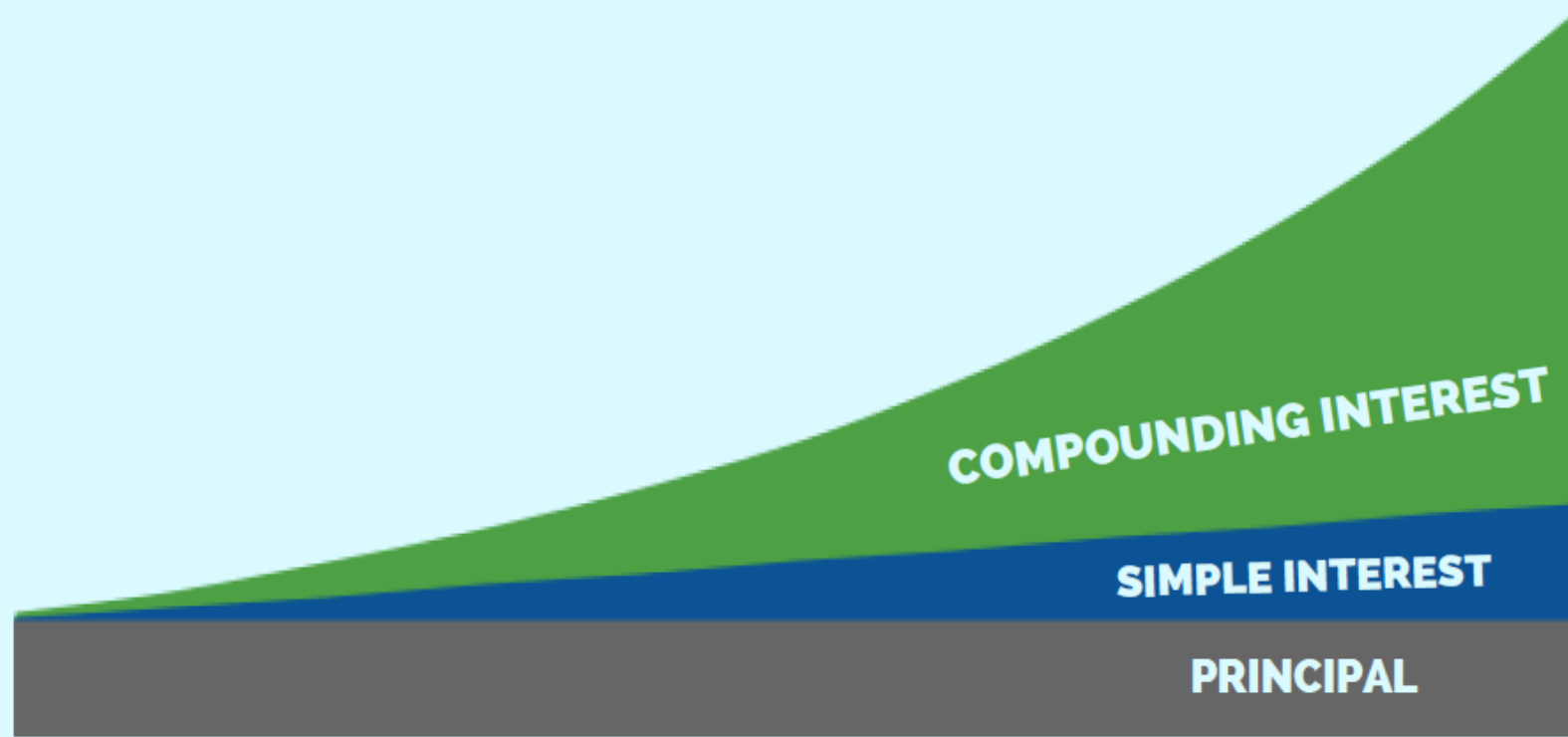
\$1,000,000  
or \$0.01  
doubled for 30  
days?

# THE POWER OF COMPOUNDING

If you were to double **\$0.01** everyday for **30 days**, you would have...

Day 1	\$0.01	Day 11	\$10.24	Day 21	\$10,485.76
Day 2	\$0.02	Day 12	\$20.48	Day 22	\$20,971.52
Day 3	\$0.04	Day 13	\$40.96	Day 23	\$41,943.04
Day 4	\$0.08	Day 14	\$81.92	Day 24	\$83,886.08
Day 5	\$0.16	Day 15	\$163.84	Day 25	\$167,772.16
Day 6	\$0.32	Day 16	\$327.68	Day 26	\$335,554.32
Day 7	\$0.64	Day 17	\$655.36	Day 27	\$671,088.64
Day 8	\$1.28	Day 18	\$1,310.72	Day 28	\$1,342,177.28
Day 9	\$2.56	Day 19	\$2,621.44	Day 29	\$2,684,353.56
Day 10	\$5.12	Day 20	\$5,242.88	Day 30	\$5,368,709.12

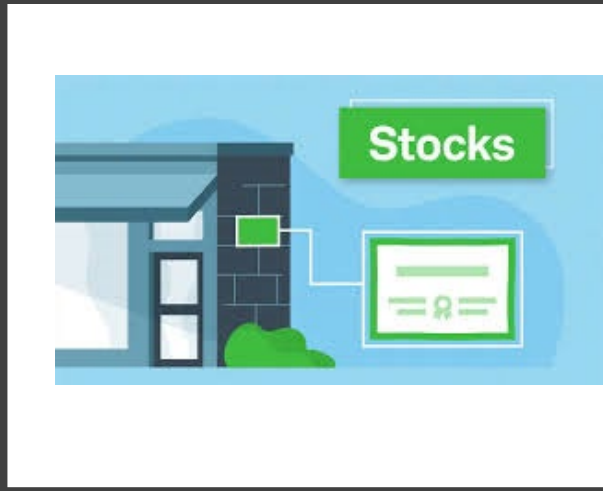
# COMPOUND INTEREST



- Interest earned on money that was previously earned as interest
- Great for investments and savings, but bad for loans taken out



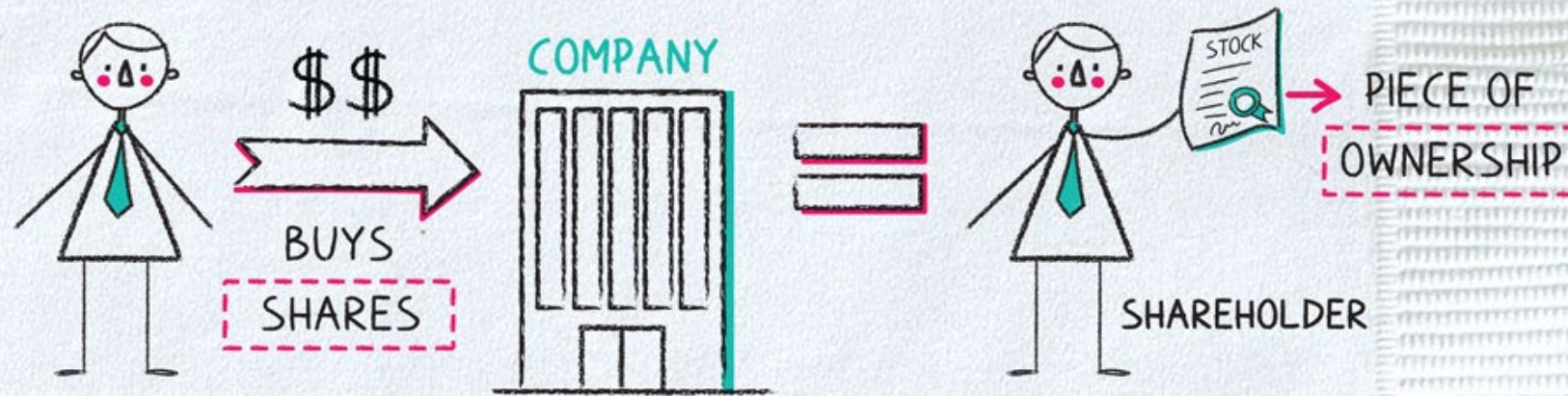
# Investments to Start With



# STOCKS

WHAT

## OWNERSHIP STAKES IN COMPANIES



How can you make money with stocks?



WHY

INVEST



PRICE GAINS



DIVIDENDS



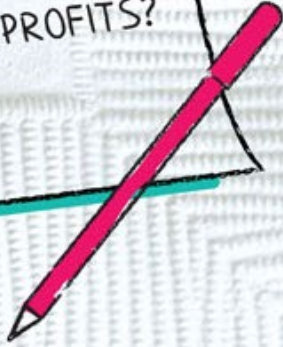
"RULE #1  
NEVER LOSE  
\$\$"

RULE #2  
NEVER FORGET  
RULE #1!"

WARREN BUFFETT

**HOW STOCKS ARE VALUED?**  
CONSIDERATIONS

- ✓ CASH FLOW?
- ✓ LATEST NEWS?
- ✓ FUTURE PROFITS?



# BONDS

WHAT

IOUs

INVESTOR



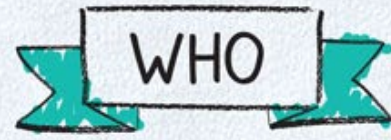
LENDS



ISSUER /  
BORROWER



PAYS:  +  INTEREST



ISSUES BONDS

# WHO ISSUES BONDS



TREASURY



CORPORATION



STATE GOVT



LOCAL GOVT

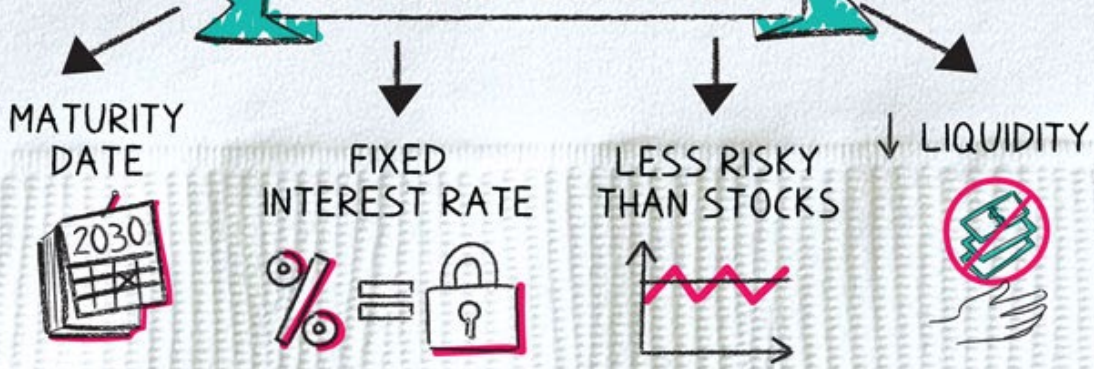


FOREIGN GOVT

# WHO ISSUES BONDS



# CHARACTERISTICS

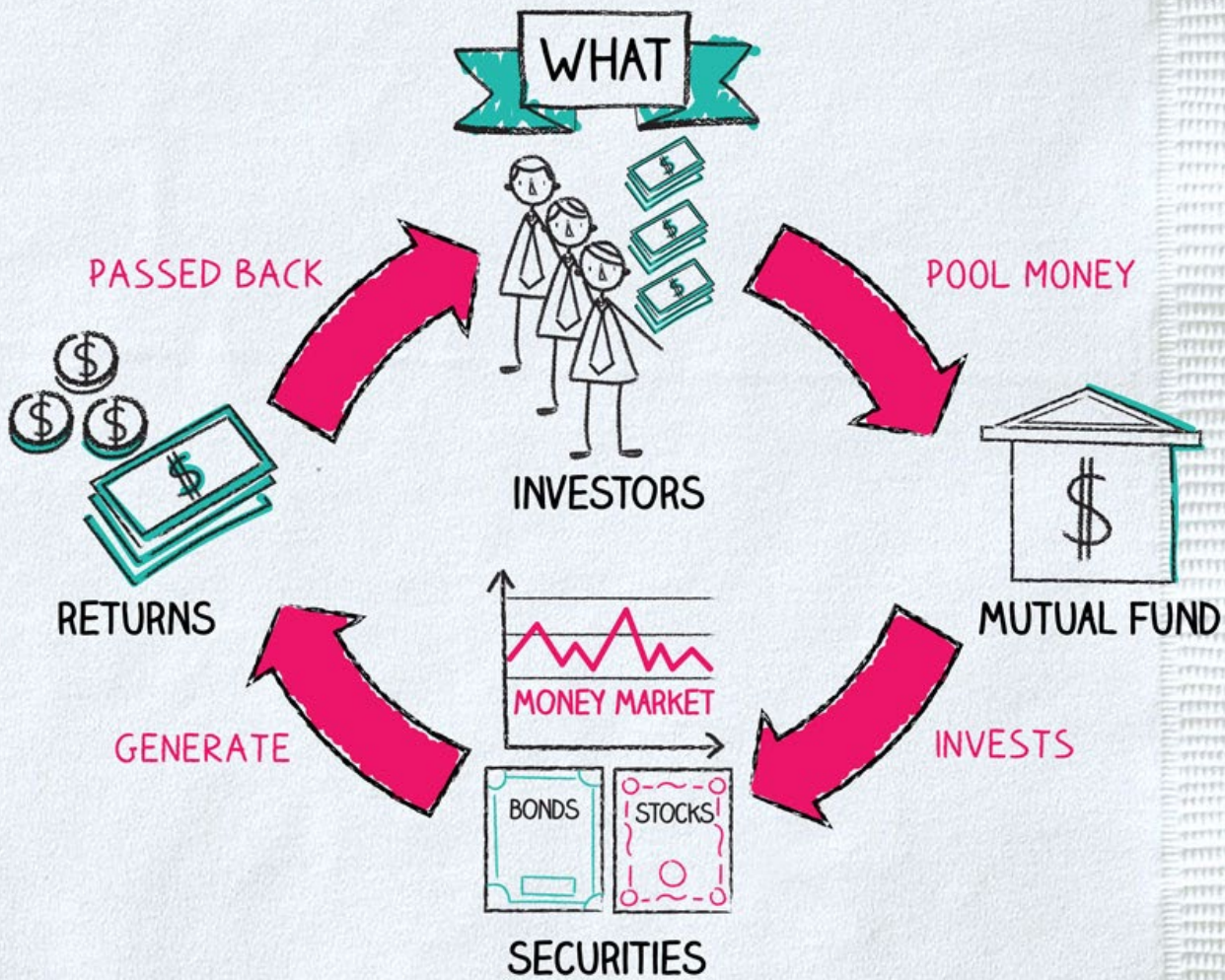


# FUN FACT!



**DAVID BOWIE**  
IN 1997 SOLD BONDS  
FOR RIGHTS TO  
ROYALTY INCOME

# MUTUAL FUNDS





BENEFITS

# BENEFITS



AFFORDABLE



DIVERSIFIED



EASY TO  
CASH OUT



PROFESSIONALLY  
MANAGED



WELL  
REGULATED

Napkin Finance



# INDEX FUNDS

FUNDS THAT COPY PERFORMANCE OF AN INDEX

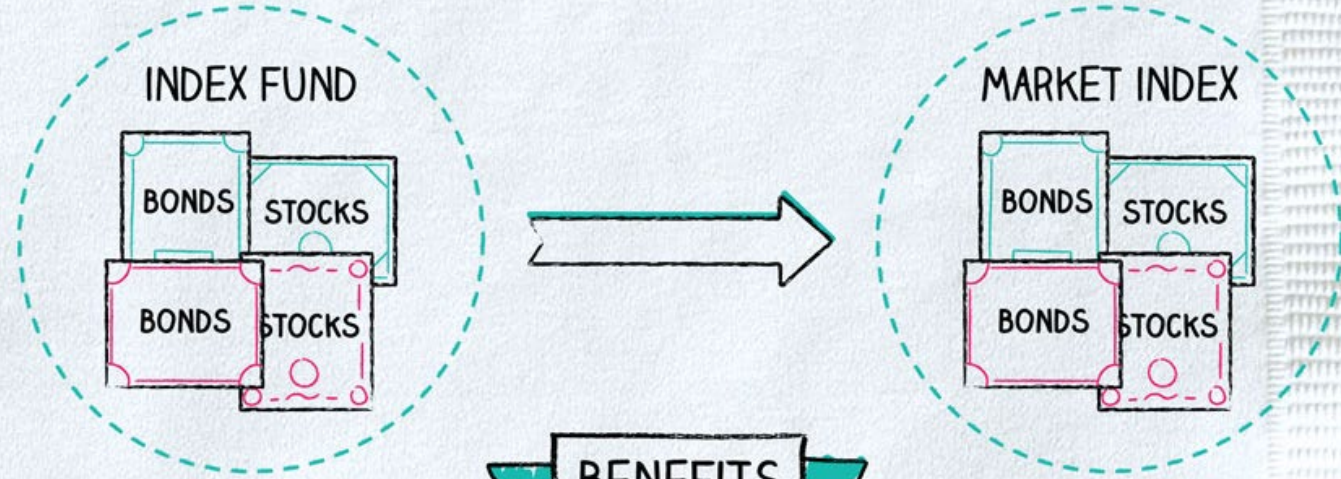


The best way in my view is to just buy a low-cost index fund and keep buying it regularly over time, because you'll be buying into a wonderful industry, which in effect is all of American industry... People ought to sit back and relax and keep accumulating over time.

— Warren Buffett —

HOW

HOLD SAME SECURITIES AS INDEX IN SAME PROPORTIONS



BENEFITS



DIVERSIFICATION



LOW COST



SOLID TRACK RECORD

# ETFs

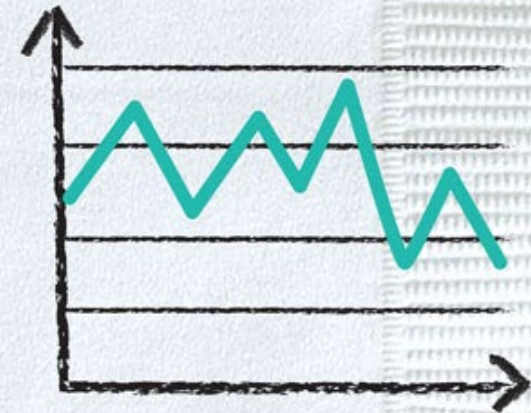
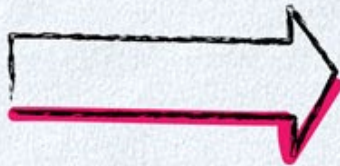
EXCHANGE-TRADED FUNDS

COLLECTION



WHAT

MOST  
REPLICATE INDEX  
MOVEMENT



MARKET, INDUSTRY,  
COUNTRY

## ETFs VS. MUTUAL FUNDS

ONE MAIN DIFFERENCE !!!

**ETFs**

BOUGHT & SOLD  
THROUGHOUT  
THE DAY



**MUTUAL  
FUNDS**

TRADE ONLY  
ONCE A DAY

Napkin Finance

# ACTIVE vs. INDEX INVESTING

TWO APPROACHES FOR CHOOSING WHICH  
STOCKS AND BONDS TO HOLD



**ACTIVE**

✓ GOAL: BEAT THE MARKET

**VS.**



**INDEXING**

✓ GOAL: MATCH THE MARKET



## ACTIVE

- ✓ GOAL: BEAT THE MARKET
- ✓ HOW: SEEK OUT ONLY THE BEST INVESTMENTS

VS.



## INDEXING

- ✓ GOAL: MATCH THE MARKET
- ✓ HOW: HOLD SAME INVESTMENTS AS INDEX IN SAME PROPORTION



## ACTIVE

- ✓ GOAL: BEAT THE MARKET
- ✓ HOW: SEEK OUT ONLY THE BEST INVESTMENTS
- ✓ KEY BENEFIT: CHANCE AT ABOVE-AVERAGE RETURNS

VS.



## INDEXING

- ✓ GOAL: MATCH THE MARKET
- ✓ HOW: HOLD SAME INVESTMENTS AS INDEX IN SAME PROPORTION
- ✓ KEY BENEFIT: LOW COST





**GOOD TO KNOW**



**DON'T STRESS OVER THE CHOICE!**  
**CAN BUILD A DIVERSIFIED LOW-COST PORTFOLIO WITH EITHER APPROACH!**

**Napkin Finance**

## Short-Term & Long-Term Capital Gains Tax Rates By Income For Singles

<b>Income</b>	<b>Short-Term Capital Gains Tax Rate (Income Tax Rate)</b>	<b>Long-Term Capital Gains Tax Rate</b>
Up to \$11,000	10%	0%
\$11,001 to \$44,725	12%	0% up to \$44,625
\$44,726 to \$95,375	22%	15% over \$44,625
\$95,376 to \$182,100	24%	15%
\$182,101 to \$231,250	32%	15%
\$231,251 to \$578,125	35%	15% up to \$492,300
\$578,125+	37%	20% over \$492,300

ST capital gains tax is a tax on profits from the sale of an asset held for <1 year

ST capital gains tax rate = federal marginal income tax rate

Source: IRS, [FinancialSamurai.com](http://FinancialSamurai.com)

# TYPES **OF** ACCOUNTS

---

All of these are types of accounts where you hold stuff.

## BANK ACCOUNTS

Only cash goes in here



**Checking**  
Write checks



**Savings**

## BROKERAGE ACCOUNTS

Stocks, bonds, cash, mutual funds, index funds go in here



**VTSA**



**Taxable Brokerage**



**Roth IRA**  
Tax break



**401(k)**  
Tax break

# ROTH IRAs

RETIREMENT SAVINGS ACCOUNTS WITH BIG BENEFITS

## HOW IT WORKS

1



OPEN AN  
ACCOUNT

2



CONTRIBUTE  
AFTER-TAX MONEY

3



MONEY GROWS  
TAX FREE

4



WITHDRAW TAX FREE  
IN RETIREMENT

BENEFITS



CAN WITHDRAW CONTRIBUTIONS  
PENALTY-FREE ANYTIME

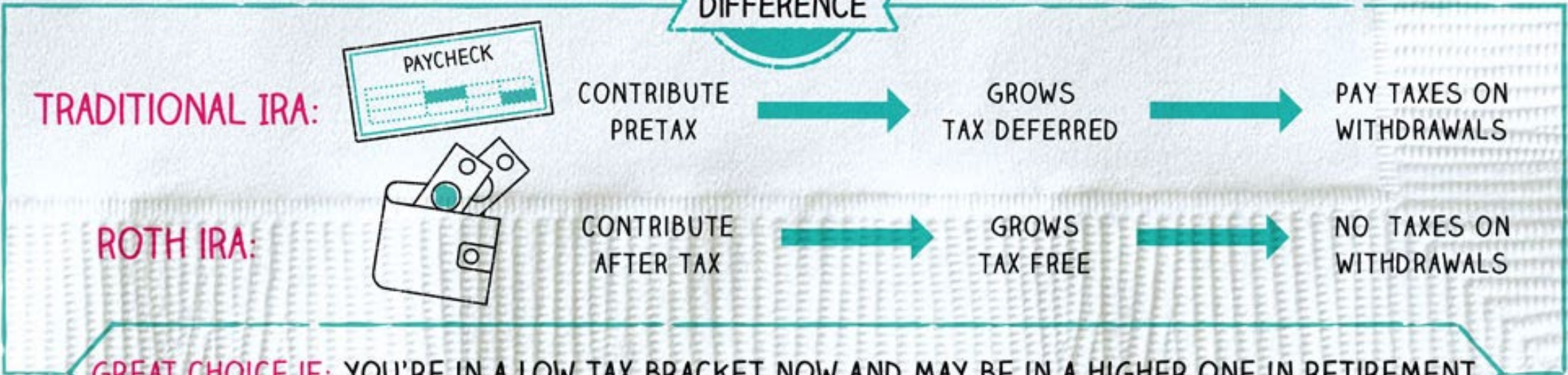


USE FOR A FIRST-TIME  
HOME PURCHASE



MANY INVESTMENT  
CHOICES

**MAIN  
DIFFERENCE**



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# IRA VS. 401(K)

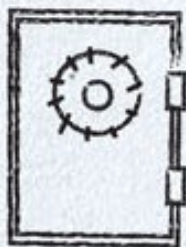
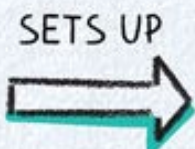
TWO COMMON TYPES OF RETIREMENT ACCOUNTS



INDIVIDUAL RETIREMENT ACCOUNT



INDIVIDUAL



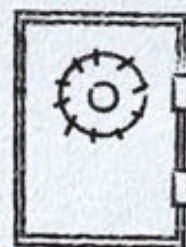
INVESTMENT ACCOUNT



EMPLOYER-SPONSORED RETIREMENT PLAN



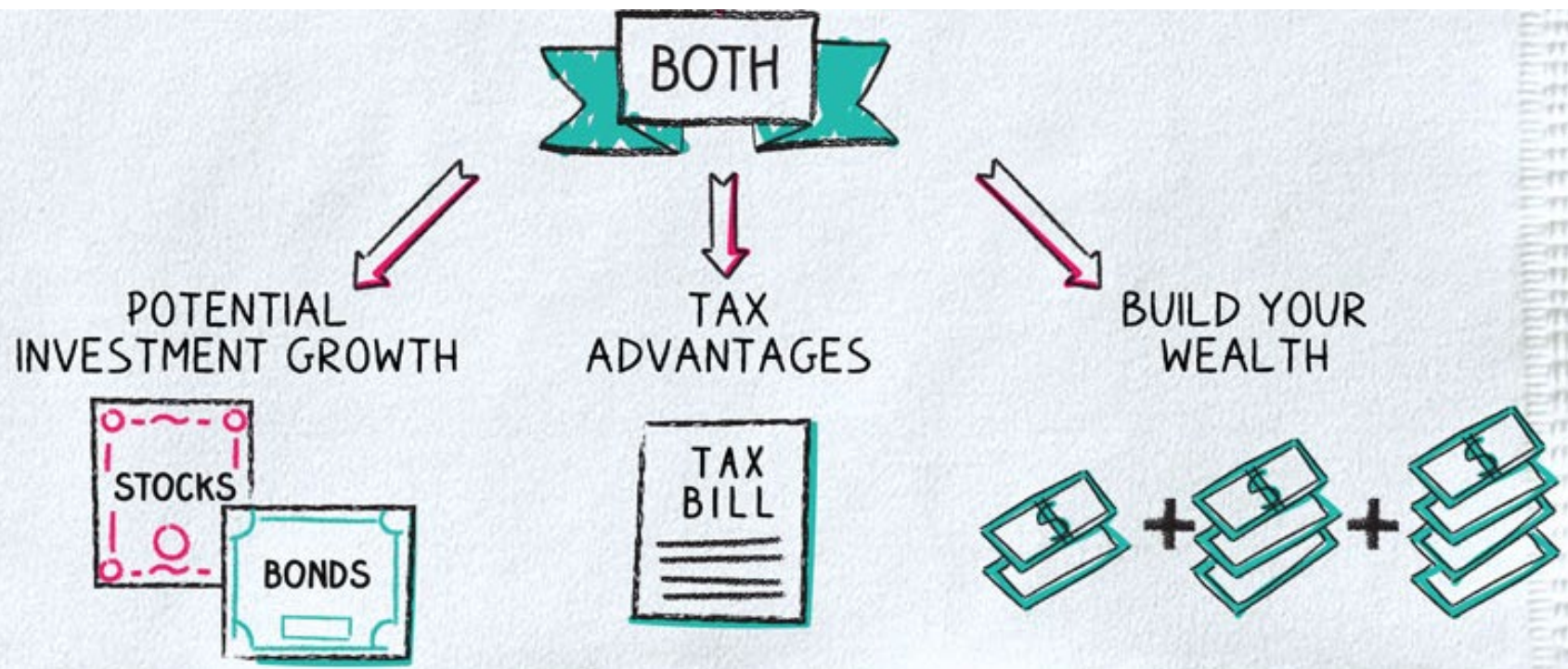
EMPLOYER



ACCOUNT FOR EMPLOYEE



EMPLOYEE

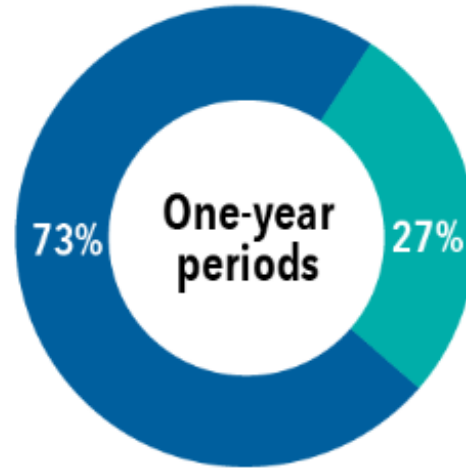


WHICHEVER YOU CHOOSE,  
**START CONTRIBUTING AS SOON AS POSSIBLE!**

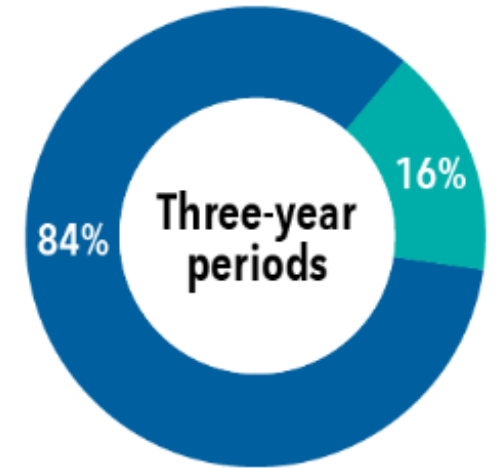


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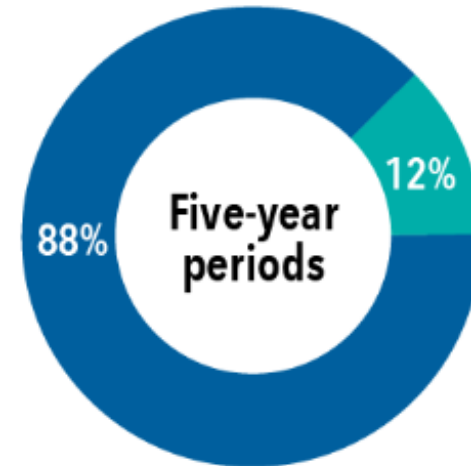
History has shown the longer the period, the greater the chances of a positive outcome



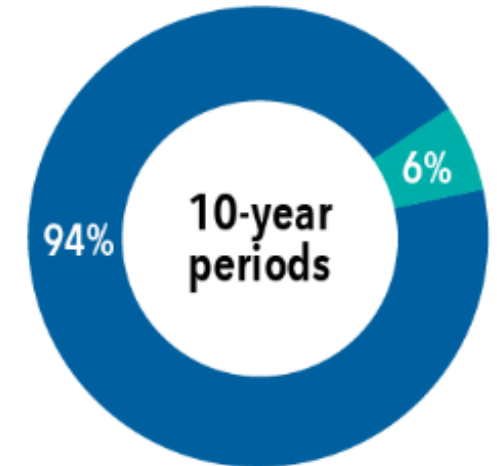
Positive periods: **69** Negative periods: **25**



Positive periods: **77** Negative periods: **15**



Positive periods: **79** Negative periods: **11**



Positive periods: **80** Negative periods: **5**

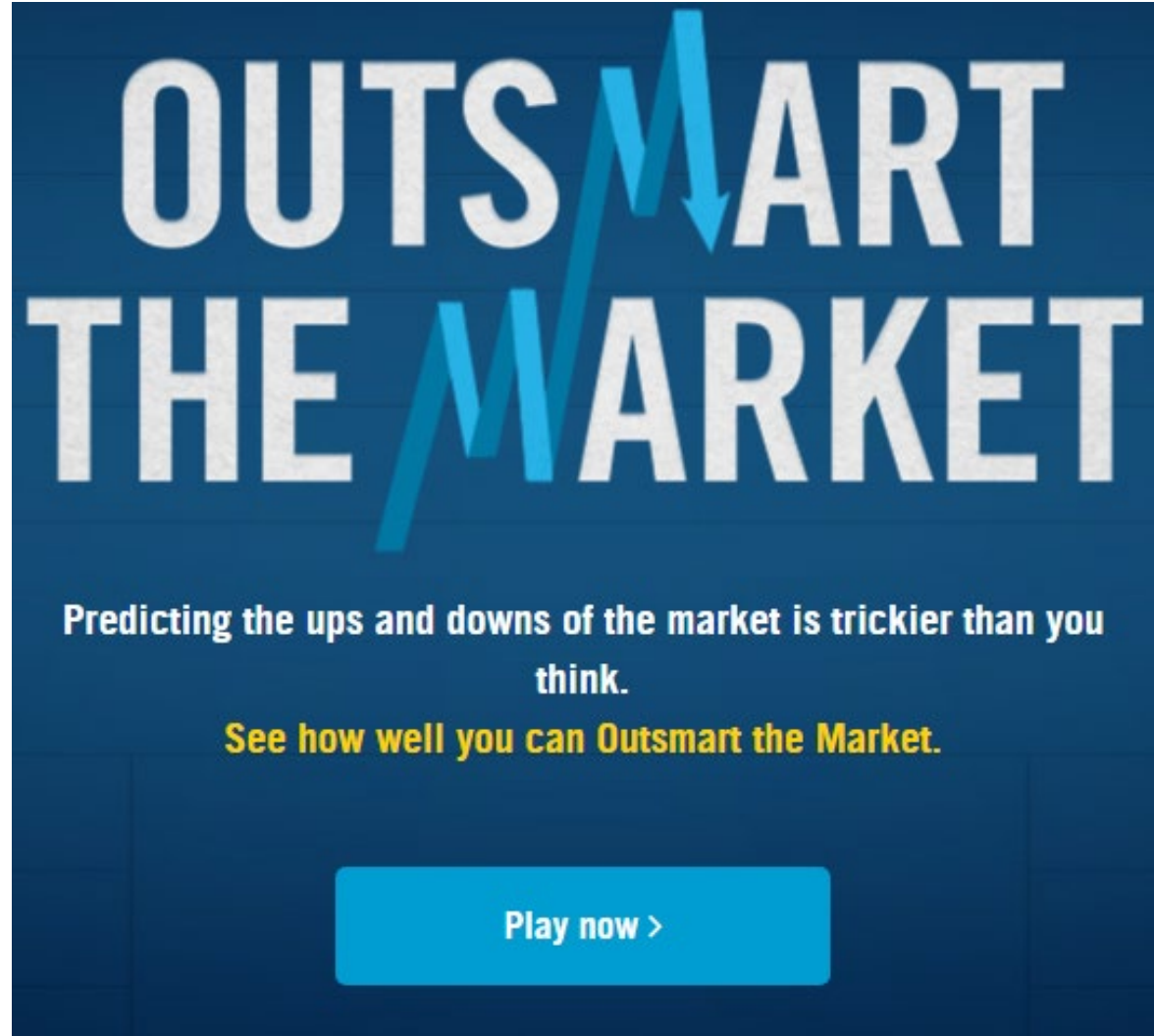
# Time in the Market > Timing the Market

*It's about Time in the Market, not timing*



# Can You Out Smart the Market?

<https://www.ngpf.org/blog/interactive/interactive-think-you-can-beat-the-market/>



**OUTSMART  
THE MARKET**

Predicting the ups and downs of the market is trickier than you think.

See how well you can Outsmart the Market.

Play now >

# 6

## Steps for Young Adults to Build a Financial Foundation



### 1 Create a budget

Subtract your monthly living expenses (e.g., rent, food, utilities) and loan payments (e.g., student and/or auto loans) from your monthly income to see how much you'll have left over each month to save or invest.



# 6

## Steps for Young Adults to Build a Financial Foundation



### 1 Create a budget

Subtract your monthly living expenses (e.g., rent, food, utilities) and loan payments (e.g., student and/or auto loans) from your monthly income to see how much you'll have left over each month to save or invest.



### Build an emergency fund 2

Stash away a small amount from each paycheck until you have a few thousand dollars built up that you can access in the event of a financial emergency.



### **3** Pay your bills on time

Automate payments with online bill pay. If you run into financial difficulty, be proactive and contact your lender before you miss a payment.



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Automate payments with online bill pay. If you run into financial difficulty, be proactive and contact your lender before you miss a payment.



### Use credit wisely **4**

Avoid racking up unnecessary credit card debt and pay off your bill in full each month. If you can't, don't use your credit card.

### **3** Pay your bills on time

Automate payments with online bill pay. If you run into financial difficulty, be proactive and contact your lender before you miss a payment.



### Use credit wisely **4**

Avoid racking up unnecessary credit card debt and pay off your bill in full each month. If you can't, don't use your credit card.

### **5** Contribute to a Roth IRA and/or workplace 401(k)

Time is your friend. Start saving for retirement now, and your older self will thank you. Consider starting with 3% of your pay and increase from there.

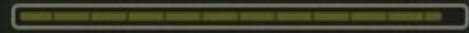




## Live within your means 6

Forget about what others are doing and set your own financial rules and goals. Live your best life by striving to live within (or below) your means.

YEAR 11 OF 20



POCKET CASH  
\$6,054.20  
OVERALL NET WORTH  
\$112,820.83

# INTERACTIVE: Invest with STAX!

**SAVINGS ACCOUNT** ?



↕ BALANCE \$8,947.69

withdraw deposit

**CERTIFICATE OF DEPOSIT** ?

\$3,834.21 collect    \$6,103.89 collect    \$6,460.19 collect

↕ PROFIT \$6,035.89

**INDEX FUND** ?



↕ PROFIT \$8,781.62

sell buy

**INDIVIDUAL STOCKS** ?

<p><b>IT'S ELECTRIC INC.</b></p> <p>\$34.00 ▼ -8.97%</p> <p>↕ PROFIT <span style="float: right;">\$2,718.84</span></p> <p>shares: 163</p> <p>sell <span style="float: right;">buy</span></p> <p>1 10 25 MAX</p>	<p><b>BIG BANK</b></p> <p>\$732.20 ▼ -2.45%</p> <p>↕ PROFIT <span style="float: right;">\$19,876.12</span></p> <p>shares: 31</p> <p>sell <span style="float: right;">buy</span></p> <p>1 10 25 MAX</p>	<p><b>STROYS OIL CO.</b></p> <p>\$67.10 ▼ -9.64%</p> <p>↕ PROFIT <span style="float: right;">\$3,438.04</span></p> <p>shares: 92</p> <p>sell <span style="float: right;">buy</span></p> <p>1 10 25 MAX</p>	<p><b>JONES PRINT CO.</b></p> <p>\$3.49 ▲ 9.17%</p> <p>↕ PROFIT <span style="float: right;">\$358.30</span></p> <p>shares: 2,134</p> <p>sell <span style="float: right;">buy</span></p> <p>1 10 25 MAX</p>	<p><b>BIG TECH CO.</b></p> <p>\$27.02 ▼ -17.80%</p> <p>↕ PROFIT <span style="float: right;">\$-1,043.12</span></p> <p>shares: 26</p> <p>sell <span style="float: right;">buy</span></p> <p>1 10 25 MAX</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**GOVERNMENT BONDS** ?

\$3,296.30    \$3,537.20

↕ PROFIT \$926.84

buy

**WHEAT** ?

\$4.00 ▲ 8.25%



shares: 2,111

↕ PROFIT \$-871.33

1 10 25 MAX sell buy

**GOLD** ?



↕ PROFIT \$-518.29

sell buy

- ▶ LEADERBOARD  2
  - ▶ ACHIEVEMENTS  10
  - ▶ PORTFOLIO 
- 