

## BUDGETING

Here are four salaries and a simplified budget at each level.

### **\$25,000** (yearly salary before taxes)

Monthly Pay after Tax, Healthcare & Retire.:	<b>\$1,500</b>
Savings (7%):	\$105
Rent/Mortgage:	\$400 (split with a roommate)
Utilities:	\$45 (split with a roommate)
Internet/Cable:	\$55 (split with a roommate)
Phone:	\$55
Car Payment:	\$0 (car is paid off)
Gas/Oil/Repairs:	\$90
Car Insurance:	\$60 (liability only)
Food:	\$450 (3 meals per day at \$5)
Entertainment:	\$90
Loans/Debt:	\$150

### **\$30,000** (yearly salary before taxes)

Monthly Pay after Tax, Healthcare & Retire.:	<b>\$1,760</b>
Savings (8%):	\$140
Rent/Mortgage:	\$400 (split with a roommate)
Utilities:	\$45 (split with a roommate)
Internet/Cable:	\$55 (split with a roommate)
Phone:	\$55
Car Payment:	\$165
Gas/Oil/Repairs:	\$90
Car Insurance:	\$110
Food:	\$450 (3 meals per day at \$5)
Entertainment:	\$100
Loans/Debt:	\$150

Save \$165 w/o car payment.

### **\$35,000** (yearly salary before taxes)

Monthly Pay after Tax, Healthcare & Retire.:	<b>\$2,030</b>
Savings (8%):	\$160
Rent/Mortgage:	\$550
Utilities:	\$80
Internet/Cable:	\$55 (no internet)
Phone:	\$55
Car Payment:	\$200
Gas/Oil/Repairs:	\$90
Car Insurance:	\$110
Food:	\$450 (3 meals per day at \$5)
Entertainment:	\$130
Loans/Debt:	\$150

Save \$200 w/o car payment, and \$135 w/ roommate.

### **\$40,000** (yearly salary before taxes)

Monthly Pay after Tax, Healthcare & Retire.:	<b>\$2,275</b>
Savings (8%):	\$185
Rent/Mortgage:	\$600
Utilities:	\$90
Internet/Cable:	\$110
Phone:	\$55
Car Payment:	\$275
Gas/Oil/Repairs:	\$90
Car Insurance:	\$120
Food:	\$450 (3 meals per day at \$5)
Entertainment:	\$150
Loans/Debt:	\$150

Save \$275 w/o car payment, and \$250 w/ roommate.

**Hourly vs. Salary:** If you are paid hourly and work 40 hours per week for 50 weeks, multiply your hourly wage times 2,000 to get your yearly salary. If you are paid salary, divide your yearly salary by 2,000 to determine your hourly wage.

**Taxes:** Income taxes and deductions (health insurance, retirement, etc.) are typically 25-35% of your salary. If you have the option of taking money from your paycheck before it's taxed (e.g. retirement, flex healthcare account, health insurance), it might be worth it. For example, if you are being taxed 30%, you have the choice of putting \$70 in your pocket or spending \$100 on a pre-taxed investment.

**Tracking Your Money:** At the end of every month (after you have paid all your bills), write down how much you have in your bank account. After a few months, you can see how much money you typically save or lose on average. Another strategy is to write down all your expenses, and put them into categories (i.e. food, entertainment, etc.). Then ask yourself “Where is my money going” and “Where could I have saved money?”.

**Reducing Costs:** Buy used (autos, furniture, fitness equipment, etc.). Reduce costs on clothes, food, and entertainment. Use your company's Flexible Spending Account. Cancel internet connection.

**Autos:** Buy used! Autos typically lose about 45% of their value in the first three years. For every \$5,000 you borrow, a loan will cost you about \$100 a month for five years (the average length of an auto loan). A new \$20,000 car will cost you about \$400 a month, whereas that same model three years older will cost you \$10,000 or about \$200 a month. At the end of five years, that new car will ultimately cost you about \$15,000 (selling it for \$8,000 and accruing \$3,000 interest on your loan) and the used car will ultimately cost you about \$7,000 (selling it for \$4,500 and accruing \$1,500 interest on your loan). Buying a used car will also save you on auto insurance, because the car is not as expensive to replace.

**Banking:** Checking accounts usually offer a low interest rate, so ask your bank about opening a higher interest account. Balance your checkbook every month to ensure accuracy. It is optimal to keep three months worth of your salary in savings (if three months isn't an option, just keeping \$500 is a good emergency buffer).

**Debt:** It is usually best to pay off higher interest loans first, because they cost you more. Need help? Visit [www.nfcc.org](http://www.nfcc.org) or [www.cccsstl.org](http://www.cccsstl.org). If you have multiple debts, consider consolidating them into one account.

**Debt Reduction Tips:** 1) Make bi-weekly payments instead of monthly payments. Because interest is accrued daily, making a \$100 payment every two weeks instead of a \$200 payment every month will pay off your debt sooner. 2) Making extra payments or higher payments will also pay your debt off sooner.

## MOVING

---

**Finding an apartment:** Use [www.craigslist.com](http://www.craigslist.com), Apartment Finder/Guide (find these online or at shopping centers), [www.roommates.com](http://www.roommates.com), [www.homefair.com](http://www.homefair.com), newspaper, or local university. Want to know what the cost of living will be compared to another city? Go to [www.homefair.com](http://www.homefair.com) and check out their cost of living calculator.

**Change Addresses:** Change credit card, bank, student loans, insurance companies, retirement funds, cell phone, magazines/newspapers, DMV (car registration and license), Post Office, IRS, cable/satellite/internet/phone, utilities, and other memberships.

**Homeowners or Renters Insurance:** If you buy a home/condo, you will need Homeowners Insurance which covers the house itself and the personal property inside the house, and sometimes it will cover lawsuits against you due to accidents, injury, or property damage. Renters Insurance (about \$10 per month) is for people who rent and is the same as Homeowners Insurance, except that it doesn't cover the building (which isn't your responsibility).

**Tax Break:** You can usually apply the amount you paid for moving expenses as a deduction on your taxes (a.k.a. you might get that money back). \* See an accountant for all tax related issues.

**Housing/Apartment Checklist:** Visit during the day, night, and weekend for a careful evaluation of the following.

- Location and Neighborhood
- Carpet and Floors
- Paint, Walls and Ceiling
- Water Damage (bathroom, kitchen, under sinks)
- Doors (do they open/close easily)
- Noise Level
- Windows, Screens and Blinds
- Pests
- Parking
- Security
- A/C and Heating
- Appliances and Garbage Disposal
- Light Switches
- Hot/Cold Water
- Water Pressure
- Toilet Flushes Properly
- Cell Phone Reception
- Complex Amenities (fitness room, pool, etc.)
- Laundry Facilities
- Security Deposit
- Penalty for breaking lease
- Pet rules/deposit
- Ask for average utility costs
- Ask neighbors what they think

## STUDENT LOANS

---

**Subsidized vs. Unsubsidized Loans:** Subsidized means the government pays the interest on your loans while you are in school. Unsubsidized means that interest accrues on your loans while you're in school, but you are not required to start making payments on it until after you graduate.

**Paying:** You will get a grace period of six months before you have to start paying off student loans. If you can't pay, you can apply for deferment or forbearance if you qualify (unemployment, financial hardship, etc.). Most student loans don't have a penalty for paying them off early. Some lenders offer discounts if you set up direct deposit as well as make on-time payments.

**Tax Break:** You can usually apply the interest you paid to student loans as a deduction on your taxes (a.k.a. you might get that money back). \* See an accountant for all tax related issues.

**Payment Plans:** Different payment plans may include graduated (lower payments now, and then at a certain period of time the payments increase), income-based (payments as a percentage of your income), standard (same payments throughout).

**Consolidation:** Most people find it helpful to consolidate their loans. For example: if you have three loans and instead of making three payments, you consolidate your loans with one company and only make one payment.

**In the End:** If you pass away, your student loans are forgiven (unlike the rest of your debt).

## AUTO INSURANCE

---

**Shop Around:** Depending on your insurance company, your payments could be twice as high for the same coverage. Check out North Carolina's Department of Insurance (or other state if you're moving) at [www.ncdoi.com](http://www.ncdoi.com), and look at the complaint ratios for every insurance company in NC. You can also use an online insurance comparison website such as [www.esurance.com](http://www.esurance.com), [www.insweb.com](http://www.insweb.com), or [www.insurance.com](http://www.insurance.com), etc.

**Liability Coverage:** When you are at fault, this covers injury to people other than yourself and damage to someone else's property (car, structure, road signs). You are required to have a minimum amount of liability insurance; beyond that it's up to you. North Carolina requires a minimum of \$30,000 worth of coverage for bodily injury for one person; \$60,000 of bodily injury coverage for two or more people, and \$25,000 of coverage for property damage (written as 30/60/25). Keep in mind that these numbers are the total amount you will receive. For example; if you total a brand new Mercedes worth \$70,000, you could get personally sued for the remaining balance of \$45,000.

**Uninsured/Underinsured Motorist Liability:** When you are not at fault, but the other driver has too little or no insurance, this covers your medical expenses and lost wages. (For some companies, this also covers your property.)

**Comprehensive and Collision:** Regardless of who is at fault, Collision covers your car during a driving accident and Comprehensive covers non-collision damage. For each, you select a deductible that you pay out of pocket and your insurance company pays for the remaining damage. The higher the deductible, the lower your monthly payments will be. If you drive an older car, this coverage may not be worth the expense. Go to [www.kbb.com](http://www.kbb.com) to see what your car is worth (the "private party" amount is the most accurate).

**Medical Payments:** Regardless of who is at fault, this covers your medical expenses. Most people opt out of this because these expenses are already covered by their health insurance.

**Changing Companies:** You can change companies (or your policy) at any time – you don't have to wait until your policy is over. Notify your old company if you make a switch. (If you don't, they report you to the credit bureau.)

## EMPLOYER-OFFERED INSURANCE

---

**Enrollment:** Most employers will allow you to select insurance options when you are hired. After that, there will be an enrollment period once per year in which you can make changes. The money you put toward insurance is typically taken out of your paycheck before taxes (see “Taxes” section).

**Life Insurance:** This covers expenses after you die such as burial expenses and providing for your family.

**Disability Insurance:** This provides cash payments to you if you become disabled. If you engage in risky sports/activities, disability insurance is a good idea (and usually inexpensive).

**Health Insurance:** Most employers provide some form of health insurance, but the quality can vary, so before accepting a job it’s very important that you review their insurance plan. Things you want to consider are the type of insurance offered (general health, dental, vision), your premium (amount you pay to have coverage - usually taken out of your paycheck each month), and your co-pay (amount you pay for each doctor visit).

**Flex Account:** This allows you to put pre-taxed money into an account in which you can use to pay for medical related expenses. The catch is that you have to decide how much to put in at the beginning of the year and whatever you don’t use you lose.

## INVESTING

---

**Investing:** Start now! Not convinced, see the following examples.

### Early Investing Only

- Begins investing at age 21
- Invests \$2,000 each year until age 29, and no more after that
- Total contributions: \$18,000
- 10% compounded rate of return
- Value at age 65: **\$839,556**

### One Early Investment

- One initial investment of \$18,000 at age 21, and no more after that
- Total contributions: \$18,000
- 10% compounded rate of return
- Value at age 65: **\$1,192,753**

### Late Investing

- Begins investing at age 30
- Invests \$2,000 each year until age 65
- Total contributions: \$70,000
- 10% compounded rate of return
- Value at age 65: **\$598,253**

### Late Investing with Employer Match

- Begins investing at age 30
- Invests \$2,000 each year until age 65
- Total contributions: \$70,000
- 10% compounded rate of return
- Value at age 65: **\$1,192,507**

### Continual Investing

- Begins investing at age 21
- Invests \$2,000 each year until age 65
- Total contributions: \$88,000
- 10% compounded rate of return
- Value at age 65: **\$1,435,810**

### Continual Investing with Employer Match

- Begins investing at age 21
- Invests \$2,000 each year until age 65
- Total contributions: \$88,000
- 10% compounded rate of return
- Value at age 65: **\$2,871,619**

**Retirement:** If you need \$50,000 per year and you live 20 years beyond retirement, you will need at least one million dollars. Some employers offer to match what you put away for retirement – if so, take full advantage. This money is also taken out before it is taxed (see “Taxes” section).

## Investment Options:

- **Pension Plan:** Employers pay you a guaranteed lifetime income when you retire. Amount of payout depends on how long you worked with the company, how much you earned, and your age when you retire. These plans are becoming less popular.
- **401(k), 403(b), and 457 Plans:** 401(k) plans (offered by private organizations), 403(b) plans (offered by non-profit, tax exempt organizations), and 457 plans (offered by government agencies and some non-profit organizations) all allow you to make tax-free contributions (up to a specified amount) and go untaxed until you retire or take the money out. Most employers will match your contributions up to a certain percentage of your paycheck. Because of these benefits, take full advantage of these plans. However, if you take your money out before you retire, you will pay substantial penalties and back taxes.
- **Individual Retirement Account (IRA):** This is a plan that you set up, and your employer has nothing to do with it. You can only contribute \$5,000 per year (as of 2008). There are two types:
  - **Traditional IRA:**
    - Tax deductible contributions (depending on income level)
    - Withdraws begin at age 59.5 and mandatory by 70.5 (withdrawals before age 59.5 subject to penalty)
    - Taxes are paid on earnings when withdrawn from the IRA
  - **Roth IRA:**
    - Contributions are not tax deductible
    - Withdrawals after age 59.5 are tax free (no Mandatory Distribution Age)
    - Principal contributions (not earnings) can be withdrawn any time without penalty (some limitations)

	Yearly Contributions	After 40 Years at 5% Interest	30% Tax Paid over 40 Years	30% Tax Paid on Withdrawal	Total Worth
<i>Traditional IRA</i>	\$3,000	\$380,519	\$0	\$114,156	\$266,363
<i>Roth IRA</i>	\$3,000	\$380,519	\$36,000	\$0	\$344,519

## CREDIT

---

### Building Credit:

- Review your credit report and correct any errors you find.
- Keep old credit accounts (not new ones), even if you're not using them. Creditors look at the debt-to-credit limit ratio and the average age of your accounts. However, cutting up a card does not cancel the account and also can make you vulnerable to identity theft if you aren't checking your credit report regularly.
- Reduce your balances on credit cards to 75 percent or less of your available credit (25 percent is preferable).
- Pay your bills on time.
- Don't let anyone make an inquiry on your credit report unless you absolutely have to. However, if you're shopping for a loan, make multiple inquiries occur within a few weeks so they can count as one inquiry.
- If you are planning on applying for a loan, don't open new credit card accounts. Opening new accounts will at first have a negative impact. In the long term, however, they can boost your score.
- Reduce your outstanding debt. Only paying the minimum amount due on a credit card doesn't directly hurt your credit, but it also doesn't reduce your debt.
- An easy way to build your credit is to use a credit card and pay your bill (in full) each month.

**Credit Report:** You can obtain three free credit reports every 12 months (one credit report every four months) from [www.annualcreditreport.com](http://www.annualcreditreport.com). Building your credit is very important because it can affect whether or not you are approved for a loan or an apartment/house, your auto insurance rates, and many other things.

## UNCW CAREER CENTER

---

We are here to help you, even after you graduate! Have a resume, cover letter, or portfolio critiqued. Participate in a practice interview. Learn effective job search techniques. Prepare for grad school applications. Explore your career paths.