Introduction: This workshop is all about the “Benjamins.” We're excited. We have with us today Jeffrey Harrington. He is the assistant residence community coordinator of Whitney Hall. And this is a passion for Jeff. I had the pleasure of working with Jeff last year. This is one thing that he has really brought to students is that whole concept of financial responsibility. He got his bachelor's degree in Finance and Business Administration, and he ended up getting his teaching credential. And he taught junior high, business computers, among many other fun things. But this is something that he's really passionate about. He's passionate about being able to kind of break down, you know, how do you save money? How do you do those investments? What is a 4010K? -- 401K, yeah, and just be able to compare that. So please dive in and join me welcoming Jeff to the stage.

[ Applause ]

Jeffrey Harrington: Okay. So I like to make finances make sense to people because most of the time it's, like, oh, my gosh. Numbers -- eeeew. So YOLO: You Only Live Once, so be conscious of your spending. Cool.
My philosophy on money. I don't like charts and graphs but, in order for this to make sense, I've got to show it to you. So, a basic XY chart. You have your income, how much money you're making over time, over the time, right? Nod your head if you're kind of with me. Yeah. Cool. Okay. So this is bad. This is what you don't want to do. If you're spending and your bills continually go up but the money that you're making is less than that, you're in debt. Now, this sounds super basic, but most people don't understand this concept, right? Nod your head if you're with me. Cool. All right. Sweet.
Here's what you want. You want to continually make more and more and more money and have your bills either slowly go up or go down. Typically we can't get our bills to go down. Age-old additive: More money, more problems, right? Cool. So if you continually make more money, most people, this red line follows it. And sometimes it exceeds them. And that's a bad thing. So I'll go back to that last slide.
When the money that you're making is here and this exceeds where you're going, that's bad, okay? It sounds basic, but it's just like diet and exercise. If you eat more and you exercise less, that's bad, right? But if you exercise more and you eat less, you hopefully get something like this, right?
So this is my philosophy on money. It's very, very basic, right? It's just the basic bare necessities of money.
So what's the secret to financial independence? Financial independence is one of those terms I'll be using all day. It's like when you have enough money and then a little bit more, right? Because no one wants to have just barely enough money. Living paycheck to paycheck is the absolute worst thing in the world. Trust me. I used to be a teacher. Okay.
So here’s the financial secret. Understand where you spend your money because most people just spend money; right, is that true? Cool. So understand where you spend your money. Because if you know where you’re spending it, you know where you can cut it back and you know how you can save it, right? Okay.
So here's my overall arching philosophy. I got this from one of my favorite books. It's called “Your Money Or Your Life.” It's written in the '80s. It's old school. It's got, like, the most basic form of financial planning, but it has a lot of philosophies on money; and then it has basics on how to save and make a trillion dollars, okay? So, “Your Money Or Your Life.” It's written by Joe Dominguez and Vicky Robin. I didn't know that until about 4 seconds ago.

“Your Money or Your Life.” Okay. So life energy is what you're trading your time spent to work for. So, when you're at work, you're making money. But the tradeoff is your life energy. So you're putting all this energy into work in exchange for money, right? So part of this is love what you do because, if you don't, you're spending a lot of time at work, okay? So if you're 18 and you live to maybe the age of 88 -- this is my rough calculation -- you have about 600,000 hours left of life. If you're 20, you have about 595,000 hours left of life. This is important because how much of your day do you normally spend at work as a professional outside of school? Half your time? 60 percent of your time? 60 hours a week? That's a lot of hours. So say you spend half your day at work. That will give you 300,000 hours left of your life to do something with it. That really puts it into kind of a perspective, right? Like, oh, my gosh. I only have 300,000 hours left? That's crazy to think about. Don't get depressed. I've got a helpful hint.
Okay. So how much money do you really make? This was mind blowing when I did this for my staff a couple months ago. So say you make 500 bucks a week, which is a decent income. If you, like -- if you leave college with a very basic undergraduate degree, you could probably make, after taxes, $500 a week -- about $2,000 a month, right? Okay. So if you work 40 hours a week, you make about $12.50 an hour. It's totally wrong, right? You might actually take home $12.50 an hour. But there’s costs associated with your job. So, Jacob, what do we have up here? Costs associated with your job. What are they?

**Audience member:** Commuting.

**Jeffrey Harrington:** Commuting, right? That missed a T, right? Sounds like community. Trust me. It's not. Commuting. About 5 hours a week. Most people spend about an hour on the road going to and from work every day. That's 5 hours you're spending at work. These are work-related things, right? You also have costuming, getting ready, looking good, putting on makeup, spiffing up your shoes, all that kind of stuff, right? That's a cost of going to work. Meals. Sometimes your meals, like, are at work. Very seldomly do you get a lunch hour when you get to go do whatever you want for 59 and a half minutes and come directly back to work. These are all costs associated with work.
How much M$NEY do you really make?

- I earn $500 week. I work 40 hours. I make $12.50 an hour. WRONG.
- Cost (Life Energy) associated with working:
  - Communing: 5 hours...
  - Costuming: 2 hours...
  - Meals: 5 hours...
  - Daily compression: 5 hours
  - Escape Entertainment: 3 hours
  - Other Job related Expenses: 1.5 hours

Also your daily compression time. I know when I go to work the first thing I want to do when I get home is sit and do absolutely nothing because I've been at work all day, right? So my compression time is about an hour a day so about 5 hours a week. On top of that, I do stuff like I escape and I go to entertainment. So, like, I'll go buy tickets because I'm stressed out because of my job. I'll go to the movies. I'll go buy this. I'll go buy that, other job-related expenses. What else might you do for your job? You might buy cool new hair products, cool new shoes. Like, oh, my gosh. I've got to get this new stuff for work. So I blame it on work, and I spend money because of it, right?
So here's the thing. You just spent 21 and a half hours on top of your 40 hours a week at work. That's crazy, right? Now, not all of you will spend an hour in traffic. Not all of you will spend 5 hours a week, you know, getting ready for work. But what you might figure out is what do I actually spend time getting ready for work, like how much time do I prepare at home? So then I have to go back. So for me, when I was a teacher, I worked a traditional 40 hours a week in the classroom. But when I went home I was grading papers. I was grading lesson plans. I was creating all sorts of new initiatives for my classroom. So really I was working an extra 20 plus hours a week just getting ready for work, which is crazy because you think, like, oh, I have a 40-hour a week job. It's not a big deal. But the costs associated with going to work are exponential. So really your $12.50 hourly wage drops to $8.13.

Anyone know what minimum wage is? Pretty darn close to 8.13, right? So think about it. You thought you were making 12 bucks an hour. Now you're making 8. This can relate to your student job. Like say you work only 20 hours a week and you make 8 bucks an hour but you really have to put in extra work outside of work to do all this stuff. So these are all, like, generic numbers; but hopefully with these basic equations you can take this home. Like how much time do I actually spend at work and then putting in work time to complete my work tasks? Does that make sense? Cool. Talkative crowd today. I like that. So -- so you thought you made this, but there are also other costs associated with going to work.
So there are three kind of basic steps to success that I've found as a lifelong person. (Hi. Welcome. Hi.) Track your income.
As a college student, you don't just have a job. Some of you might not even have a job. But chances are you probably have FASFA or parents or something of the sort. So what's FASFA? You have grants. What's a grant? Does anyone know what a grant is? Money you don't have to pay back, right? Was anyone going to say the same thing? Grants are good. Right? You want grants. Grants are the moneymakers. Loans. What are those? Money you've got to pay back. Yuck. And nobody wants a loan. Does anyone know the difference between a subsidized and an unsubsidized loan? Yes. Yeah. Go for it. What was your thought? Subsidized versus unsubsidized.

**Audience member:** Subsidized is where there's no interest and the loans that you take out such as like [inaudible].

**Jeffrey Harrington:** Okay. Go on.

**Audience member:** And unsubsidized with [inaudible] interest.
Jeffrey Harrington: Okay. So subs -- you're on the right track. Yeah. Subsidized loans are when the government pays the interest while you're in school, so you're not paying interest on that loan. Now, when you get out of school, you are definitely paying interest on those loans. Now, an unsubsidized loan is just like a standard loan. You take out money from the bank. At that point you're not paying interest on the money you've taken out until you start to pay it back. And then, once you pay it back, you're still paying interest, right? So it sounds great. And don't get me wrong. A subsidized loan is also going to be better than an unsubsidized loan if the percentage rates are the same. But something to think about. If you can survive on grants and scholarships, that's the moneymaker. Does anyone here have a scholarship? Good. How did you get your scholarship?

[ Inaudible Student Response ]

Did you do it through Chico State? Oh, so you did it privately. Did you do it before you got to college, or did you do it while you were in college? Okay. So -- so you have to renew by writing an essay. How much money if you don't mind me asking do you make on your scholarship? So a thousand bucks. How long does it take you to write that scholarship essay? So that's about what, a thousand bucks an hour you're making off that scholarship? Kind of crazy to think about.
A lot of people, oh, I can’t write that scholarship. That’s -- ew. It’s going to take me so long. If it takes you four hours, that’s still $250 an hour. Sweet, right? Totally worth it. Now, there are some times when you’re not going to get your scholarship. Shucks. I spent some time. But that’s an investment in your future.

Jobs: Another way you make money. Anyone here not have parents? Cool. Most people's parents or families support them in some form or fashion. Now, there are a lot of people who don't have that, who have no financial income. So they rely a lot on their grants and loans, and we'll get to that in a minute. But the important part is knowing where your money comes from. It's so important because a lot of people are, like, oh, yeah. I got five grand from FASFA. Like, FASFA didn't give you anything. You got loans from your grants and your loans and private loans and scholarships and all that kind of stuff, so you've got to know where your money comes from. Because you know at some point you'll probably have to pay it back if it's one of those loans which chances are you probably have one if you haven't looked into it. So it's important to know where your money is coming from.
Step 2: Track your spending. This is so important. I see everyone is, like, oh, my gosh. I totally don't track my spending. Because it's true. You don't probably. I didn't do it for the first, like, 22 years of my life until I, like, graduated and realized oh, my gosh. I spend a lot of money on eating out. Like, that was really important to me. So look at your bank statement. If you don't have a paper bank statement, chances are your bank has one online. So log into your Wells Fargo, B of A, whatever account that you have and look at your income statement. Look at your bank statement and go – oh, look, I'm going to print this off for the month of February, right? And track each one of your spendings. There's three categories I have: Necessities, things that you absolutely need; discretionary income, which is stuff you just buy because you want to; and then savings. Most people at your age 18 to 23ish don't usually start a savings account. I'm going to urge you to start one. It's so important to get into the habit of saving. If it's $5 a month, $50 a month, $1,000 a month, saving is a great plan to get on. So here's the important part.
See where you can cut your spending. Put up a bunch of pictures. Where do you normally spend your money? By a raise of hand and a volunteer, where do you normally spend your money? Yes.

**Audience member**: Food.

**Jeffrey Harrington**: Food. Eating out or eating in?

**Audience member**: Eating in.

**Jeffrey Harrington**: Eating in. Groceries. Okay. So groceries. Where else?

**Audience member**: Rent.

**Jeffrey Harrington**: Rent.

**Audience member**: Are you talking about [inaudible] or just in general?

**Jeffrey Harrington**: Where do you spend your money in general?

**Audience member**: Gym.
Jeffrey Harrington: The gym. It's like a -- okay. Like a gym membership. Where else?

Audience member: Gas.

Jeffrey Harrington: Gas. Your car payment if you have one. Your insurance. Your cell phone bill. Your Comcast. How many people have Comcast here? Most people's hand are up. How much people don't need Comcast? Your hands should be going up, right? Now, okay. So that's a good point. So say you have Internet. How many people have the Internet at their home? Okay. Put your hand down. How many people have free Internet at the university? Everyone's hands are still up. Okay. So for you that might be a necessity. Like, I have to do homework at my house. It's the only way I can get homework done. That's fine. There's no shame or blame on what you consider a necessity or discretionary income, but be honest with yourself. If you know, like, oh, I live a block from campus and I can walk 100 yards and get free Internet, why would you pay 60 bucks a month for it? Something to think about.

So, for me, I looked at my Netflix account. For me, that started out as discretionary income. But it's kind of become a necessity because now I don't go to the movies. I don't do this; I don't do that. So I'm cutting spending in other places, and now it's becoming one of my kind of, like, necessary items. But I still keep it in discretionary because I can still survive without it, because I think it's kind of silly.
Now, iTunes. How many people buy stuff on iTunes or some sort of downloading music thing? Cool. Nobody. Sweet. People my age, the old people, they like buying iTunes stuff. It's ridiculous because I have a couple coworkers who spend, like, 30 bucks a month on iTunes, which is crazy. Like, that's a lot of money to be spending on music. But if that's something that you love, go for it. I used to DJ, so I used to buy all sorts of iTunes stuff. So for me at that point it was a necessity.

Gas. Who here spends money on gasoline? A lot of your hands go up. How many people choose to drive for fun or how many people need to drive? So drive for fun, need to drive. Okay. So for those of you who need to drive, that might be a necessity. For me, I live and work on campus. If I didn't have a car, it wouldn't be the end of the world. I could probably get by with just having a bicycle. Crazy. I choose to make it a necessity because I'm in denial about making it discretionary again. Does that make sense? It's okay to be in denial. That's - - it's part of money. People get scared and they put shame and blame on money. But there's no shame or no blame today.

Lulu's. This is a fashion place. I put this up here because how many people buy clothes on a moderately regular basis? Fair number of hands. The rest of you are liars. That's cool. Okay. So I'm a big fan of buying stuff strictly on clearance. Now, you can't always do that. I wear a size 15 shoe. It is very close to impossible to find a clearance shoe unless I go to something like Nordstrom Rack, right?
I'm never going to find it. So I've come to terms that I'm not going to find clearance shoes. But what I can find are clearance shirts, clearance ties, clearance just about anything. So that's a way I specifically choose to cut back on spending because I do have a clothing habit. I like buying clothes, right? That's important to me. But I'm not going to completely cut out the fun things in life because why do you work? Like, if you work just to survive, no. You want to have a little bit of fun in your life.

So Chipotle, anyone eat out? Yeah. I thought so. Okay. I tracked my spending last month just for this. Anyone take a guess about how much money I spent on eating out? I live by myself. I'm not married. I have no kids. How much money do I spend a month? 200 bucks? 300 bucks? $387. I spent $387 on Chipotle, Jamba Juice, Starbucks, useless stuff. 387 bucks. That's more than most, like, student employees make in two weeks to a month. That's stupid, right? It's totally unnecessary. I spend way too much money on eating out. But for me that's one of my costs of, like, compression. Like, what we were talking about before, like, you come home you have to, like, relax. I go out and see friends with this. This is my social time. So when I looked at it in more of, like, an objective sense, I spend 400 bucks a month on entertainment. Because that for me is going out to eat. So for that it falls into my savings plan, which we'll get to in just a minute.
And then the bottom left one, anyone know what that is? No one wants to say it. It's alcohol, right? Oh, my gosh. I'm in denial. Nobody drinks. Okay. College students spend a grip load of money on alcohol. Like, oh, here's 40 bucks. Go buy me whatever. Come back. We'll have fun this weekend. It happens all the time, all the time. And nobody asks for change. Nobody asks for a receipt because chances are, if you are buying alcohol and you're under 21, it's illegal. And so you don't really want to put up a fight about your money, right? So, alcohol. That's a huge spending habit. I didn't drink in college, but I had a lot of friends that did. And a lot of their budgets were like 100, 200 bucks a month on just alcohol. That's crazy. That's a huge bar tab for spending money on alcohol. Some people, that's the way they compress. Probably not the healthiest way but that's a whole other presentation.
So, three, so you tracked where your money comes from, you tracked where you spend it, and the last part is budgeting it. So for me I've come up with a 50-30-20 rule. I've read it before. It's not my rule but I live by it. 50 percent of what I make. So if I make $1,000, 500 bucks goes into my necessity column, right? I need to put $500 in there. $300 of my $1,000 would go into discretionary money, so fun stuff, you know. I want to go out to eat, I want to go to the movies, I want to have a Netflix account, I want to go on a trip somewhere, that all comes out of my discretionary. And I put $200 of my thousand into a savings account. Now, that's not always possible. When I was a teacher, sometimes I had to cut back with stuff. So for me I chose not to cut back on my savings but I cut back on my discretionary spending.

Now, this is just a rule of thumb because currently I live on campus and I work on campus so my necessity column has dropped to like 22 percent. Like, I don't pay for rent; I don't pay for this; I don't pay for that. So part of my savings plan involves where do I work. So one of my things is that, in four years of being a state employee, 2 years as a teacher and 2 years as an ARCC for housing, I bought a $16,852 car in cash because I saved. I loaned my brother $5,000 for a car, right? I made payments of 300 bucks a month for my student loan, and I've saved $20,000 in four years in cash. Like, in my savings account, I have like $22,000 sitting, just doing absolutely nothing which is crazy, right? But the nice part about it is that, if you do start to learn how to invest that money, you can accrue interest very quickly, which is kind of cool. And we'll talk about interest in just a minute.
But the most important part is that I've never made more than $40,000 in a year ever. Like, I've never breached $40,000. I've never made more than $40,000 ever. So in four years I've made like 38, $39,000 a year. But over the course of four years how much money is that? Roughly $120,000. And you're, like, damn, I made $120,000? What do I have to show for it, right? I've got to track where I spend my money. I've got to track where I get my money from. I've got to track my budget so I can actually have something to show for it. So for me, I did this the other day. I was, like, wait. I have a car that's paid off. Like, that's cool. I made like $1,000 car payments for less than a year and I paid off my car, which sounds crazy. A lot of people aren't in that financial place because, you know, I have stuff that's free because I work and live on campus. But, if that's important to you, finding jobs that pay for your housing are not that difficult. They do exist. You can look for them. Go. We'll move on
I didn't have a smooth transition to loans, but I know this is an important part so this is -- play into my presentation. I swear. Simple interest doesn't really exist, but I want to show you how simple interest is calculated. So if you have a $1,000 loan and for 10 years you pay 6.5 percent interest, does anyone have any idea how to calculate that if I didn't show them? Probably not, right? It's kind of weird. Google this: “how to calculate simple interest.” You'll get a simple interest calculator online. You'll get the formula. This is all that is. It's a thousand times the decimal of 6.5 percent. It's not 6.5. It's .065, which is important to know, times 10 years. That's $1,650 I'm paying on 1,000, 650 bucks over 10 years. That's 65 percent of the original amount. So, like, over 10 years, if I just pay the minimum, I'm going to be paying $650 in simple interest. Now, what I was saying before is you don't get a simple interest loan. That doesn't exist. What they're called are compound interest loans. So if you pay $1,000 at 6.5 percent, you're going to be adding on $65 a year, right? So you're not just paying $600 a year for 10 years like you are here. Compound interest is $65 plus the 1,000 and then 6.5 of 1,065. You add that to it and take 6.5 of that amount. So the amount is getting bigger and bigger and bigger. So I'll show you exactly what that looks like.
Suppose you take $1,000 for ten years at 6.5 percent interest just like you were doing before. This is a kind of a scary equation. Don't let it scare you, okay? There's a lot of numbers and symbols. “P” is your principal. This is the amount you're taking out as a loan. So it's 1,000 bucks. 6.5 is your interest rate. And the “T” is the time. That should say 10. Ignore the extra number. So you have the principal times 1 plus the interest. Jacob, what's the 1? Do you know what that is?

**Audience member:** That's -- you're having -- the original amount is like 106.5 percent.

**Jeffrey Harrington:** Perfect. So it's 1 plus that. So it's 1.065 to the 10th which is your time, so that will be for 10 years. If it was 30 years, that 10 would turn into a 30. If it was four years, it would turn into a 4. So, if you calculate that out, 1.065 to the 10th power equals 1.87. I brought a calculator. If anybody's nervous, we can do it afterwards, okay? It's not that scary. But you can plug this into a calculator online, and they'll do it for you. But I want to show you how the math is actually calculated. So it's $1,000 times 1.87 which ends up being $1,877. My 7 and 1s for some reason didn't calculate when I moved the computer over. But, the point being is you pay $877. Now, the difference between this and simple interest is before you were paying $650. When it compounds, it's working against you, and it's making $877 that you're going to have to pay back. That's important to know that most loans are compounded monthly or yearly or sometimes daily.
So compound interest for 30 years. The reason I show you this is because a lot of you will convince [phonetic] your loans and expand them out over a long period of time. So say you have $40,000 of student loans. Sounds crazy but it happens to a lot of us, right? So $40,000 a year, you might have a $10,000 loan, a $10,000 loan here, and you'd end up making them all into one consolidated payment, meaning that they all end up being one payment, right? So if it's a 6.5 percent over 30 years, doing the same equation, you're paying $5,614 for a 1,000 loan. That's crazy. That's five times the amount that you originally are borrowing that you have to pay back. That's crazy, right? So for 30 years if you just paid the minimum that's the number you get to.
This is my segue into credit cards. Loans are working essentially against you. Now, loans, oftentimes you have to take out, so I’ll give you that. That’s a good type of debt to be in because it's for your education typically and maybe for a home loan, maybe for a car, things that you possibly need in life. But credit cards you don’t need. Like, I have one and I use it very responsibly, but a lot of people don’t learn this stuff. Like, this should be stuff that your parents talked about. But because finances are so, like, scary and personal and private, no one wants to talk about how much money they make because it shows, like, some status in society. But it’s kind of scary to talk about this kind of stuff to your parents. And your parents oftentimes might have credit card debt, and it becomes shameful. So it’s important to know that money is not a shameful thing. Like, you just have to kind of come to terms with, okay? I’m in debt. Now, how do I get out of it? Otherwise you’re just sitting in it forever.

So here’s something about credit cards. Oftentimes they have a yearly charge. So for you to spend your money, someone is charging you 25 to 30 bucks, possibly. All credit cards are different but, on average, people spend 25 to 30 bucks a year on just opening a credit card. Now, does anybody have, like, a J Crew or a Gap card or Old Navy card? Anybody? Great. That makes my heart feel so good. So the more credit cards you open, the more fees you can incur. So the APR, anyone heard of APR rate and never know what that was? Cool. It’s the annual percentage rate, right? So it’s the cost on charging money. So just like a loan, like, if you’re getting charged 6 percent on your credit card, that would be a steal because you’re probably charged.
anywhere between 15 and 30 percent, which is crazy. So if you borrow 100 bucks in a month, now you owe another 30 on it. That's crazy. You're borrowing money that you don't have just to get charged more. That sounds backwards, right? But someone is making a grip load of money off of you. You're welcome. Cash advance. Anyone know what a cash advance is?

Audience member: Expensive.

Jeffrey Harrington: It's super expensive. Jacob, what is it?

Audience member: You're getting a paycheck or something and you get it sooner because your check isn't coming till Friday or something [inaudible].

Jeffrey Harrington: Okay. Totally. So you can get a cash advance from, like, check and the cash. You ever heard of that? Yeah. I got a couple of giggles. So you can go and say, hey, look. I need -- I need a cash advance. I need to get money on Wednesday, and I get paid Friday. So I'm going to pay you a fee -- which is crazy, right? You're paying someone more money so you can get your money earlier. Sometimes you can't avoid that. Sometimes you have to do it. And all I'm saying is be aware of where you spend your money because a lot of people don't understand that, if I'm taking out a loan on a line of credit, that's a -- more of a risk for a bank, so they're going to charge me a bunch more money.
So your cash advance might be like 25 or 30 percent when your actual -- just regular charging APR is like 10 to 15. And they all kind of fluctuate, so you have to be reading the fine print when you sign up for a credit card. Don't just sign up for that credit card that will save you 15 percent on your Gap purchase, right? Because if you're Gap purchase is 200 bucks, 15 percent of 200 bucks is roughly 35 bucks, 30 bucks. Right? You're saving 30 bucks on opening up a credit card, but you're getting a $30 fee at the end of the year. And then, if you don't pay off your credit card, you're accruing charges. It's totally not worth it. But a lot of people don't think that far ahead. It's like, oh, right now, instant satisfaction, gratification. Okay. I'm in. Let me sign up. It only takes me 47 minutes. Right? Cool.

Finance charges are just a lot of your charges put together, so it's like APR plus other charges. Your grace period is -- when you swipe that credit card, you usually have about 30 days, 22 days approximately between each cycle. It's, like, if I swipe it on the first of the month and it's due the 30th of the month, I have 30 days before I have to pay. Now, if I pay it before that 30 days, does anyone know what happens? You don't get charged the finance charge. There's no APR, right, which is great. So you can buy something on the first and pay it off by the 22nd. Then a credit card is totally worth it because you're using money that you don't have or that you're going to pay yourself back.
But, if you don’t pay at the end of the month, what happens? You get charged, right? And a lot of people are, like, I’ll just pay the minimum. I’ll just pay 15 bucks on my $800 credit card purchase, right? And then that minimum often will never really pay off the loan until five or six years out. So you’re paying a whole bunch of money in interest by just paying the minimum. If anything, make a double minimum payment or make like -- throw 100 bucks toward it if you need to get out of debt. It’s just really important to know that, if you can pay it before that grace period is up, a credit card is just like spending cash, essentially. You’re not charged for it. I use a credit card every month. I put gas on it and I put routine bills so that I’m building credit, essentially, but I know I’m going to pay it off every month. Like, I never ever carry a balance from month to month to month. So it’s important to like -- I try to live beneath my means so, if I could afford this, I’m not going to buy this. Oftentimes, even if I can afford this, I still buy this because I want that gap between how much I’m making to how much I’m spending to give me a savings account. Does that make sense kind of going back to that initial line of the savings versus the debt? Cool.
Transaction fees. If you have a late payment so -- if you skip a payment, you have a late payment; you have a cash advance; you exceed your $500 limit; you buy $512 worth of stuff; fee, fee, fee. And then all those fees get added to your principal amount, and then you get charged APR on that, which is crazy. You’re getting charged for spending your own money. So this is important. So loans are good to have if you need them for, like, education or a home loan, that type of thing. But knowing the interest can essentially hurt you because you’re having to pay more for the amount of money you take out. Does that make sense? Nod your head if you're following. Cool. You look totally lost. Are you totally lost or we're good? We're good? Okay. Cool

Credit Cards...

- Interest can work for you or against you.
- Credit Cards
  - Yearly charge: $25-$30
  - Annual Percentage Rate (APR): cost on charging $
  - Cash Advance (High APR): Loan on credit line
  - Finance Charge: APR + all other Charges
  - Grace Period: # of days before interest accrues
  - Transaction Fee: Late pmt, advance, exceed limit
So what do I do with all my extra cash? So, now that I'm rich, I've got 20 percent of my income, I can do probably the safest thing which is, like, putting it under your mattress, which is open up a savings account. If you're getting charged to open up a savings account, switch banks. Like, no bank should be charging you to open up a savings account. No bank should be charging you to open up a student checking account. A student checking account should be free. You're putting your money in their bank. They're making money off of you. They should not be charging you ever to open up a bank account. That is crazy, especially with banking. I was a finance major so I learned a lot of this stuff, and a lot of this stuff is just self-taught from experience of opening and closing checking accounts.

Something important to know is that most things in life are negotiable, especially at a bank where they want your business. Like, if I have $1,000 in the bank, they only really keep about 100 of it in the bank, and they loan out the 900 bucks somewhere else and they make a whole bunch of money off of it. And when I go to cash it out and they pull it from somewhere else and they give me my money and they're still making money off of me. So don't feel bad if you're trying to get out of fees and charges at your bank.
Something else with a savings account, like if you overdraft with any kind of fees and it’s
the first time, oftentimes if you call the bank and say, hey this is my very first time ever
over-drafting. Can you please waive the fee? I’ve been a great customer for six years. It
happens all the time, and I’ve done it twice. Like, I thought a bill went through one day and
it went through later, and so I over-drafted by like 60 bucks. And I'm, like, oh, my gosh. And
my paycheck was going through. So I called them in a panic, like, hey, it's been four hours
since this happened; I'm really sorry. And they waived it. It doesn't affect my credit. It
doesn’t affect my payment history. It doesn't affect my standing with the bank. So just
knowing when to ask those questions are super imperative with students.

Like Jamie over here is one of my student staff, and she knows I ask a bunch of questions. I
try and get the best deals at all times. One of my ways of saving strategies is just ask for
discounts. Like, we buy probably for the residence halls probably 500 pizzas a year. And so,
with 500 pizzas a year, most businesses want my business. They want me. I don’t want
them. I can buy any pizza I wanted, right? But I got pizza discounts. They were like $12 for a
large pizza down to $6.80. I just asked. I was, like, hey, can I talk to the manager? Sweet.
Hey, manager, I buy 500 pizzas a year here. How do I get a discount? He was, like, well, I
can get you this discount. I was, like, that’s not good enough. He was, like, well, I can do
this. I said perfect. $6.80. Boom.
I went on a vacation this weekend. I went to -- I went to Sacramento. I called the hotel. I said, hey, hotel. Hyatt, how much is it for your hotel room? Oh, it's $310. Yeah. Right. Okay? So I got them down to $180 just by asking, oh, do you have a Triple A discount? Hey, do you have a state employee's discount? Do you have a federal discount? I got them down to like $150ish, right? I hung up the phone. I called the second hotel. They were even more expensive. They were like $320. I said, hey, the Hyatt two doors down will give me a price for $150. They were, like, that's great. So? Well, I really want to stay at your hotel. I've never been there. I've heard great things, and they're willing to go $150. And they said, oh, we can do $160. I said that's great. I also have a business discount because I'm a state employee. I got it for $109. I just asked. Like, that's literally all I did. I just asked the question. I wasn't ashamed because the worst thing that could happen is they say no, and I'd go to another hotel that I'm willing to spend 100 bucks on. A $310 hotel room dropped to $109. That's ridiculous, right? And I just asked.

Back on track. Saving money. Savings account. Great things to put your money in. Great way to just save it. Don't know what to do with it? Let it sit there. Most savings accounts don't accrue interest. They're just very basic. They're like .00025, right? You're making zero money off it. They have interest-bearing savings accounts which are like a money market type account where you can, like, open it up with an online bank account and you can put it there and they can, like, slightly invest your money.
They can guarantee you two percent. But you also have that ability to lose money. Any time there's any risk in regards to making money, chances are there's a chance of you losing money. So read the fine print. See if it's worth it. Like, I only have a thousand bucks. Is it worth putting it into an interest savings account if it's my only $1,000? For me, probably not because I'm pretty risk adverse. But if that's $1,000 of my 20,000, sure, I'll put it in there and see if I can make any money off it. And if it drops to 800, sweet. I lost 200 bucks, but it was kind of fun to watch it work, right? But if I made 200 bucks, sweet. I just made 200 bucks. I didn't do anything, right? So, if you have money to play with, try it out.

Certificate of deposit, a CD. That's where you give money to a bank or some sort of financial institution and they lock your money away for a certain amount of time, six months, a year, you know, eighteen months, two years, whatever it is. And so, over that course of the time, you can't touch that money. So if I'm, like, OK, I can't touch that money for a year. So I'm giving you $1,000 for a year, they're going to guarantee me six percent interest. Right? That's a cool thing. But, if I take that money out over the course of the year, I get fined. I might not get that interest and so on and so forth. So, if you're willing to lock in a set of money for a set of time, super. Try a CD. They're almost always guaranteed by banks. To a certain extent, I mean, you're not going to get, like, a guarantee saying that it's not going to go down, but they're pretty darn safe. It's like one of the lowest risk things you can get.
Now, the stock market. This is a whole other can of worms. Does anyone not know how the stock market works at all? It's kind of a weird anomaly. Does anyone in the audience want to try and explain it? Jacob, want to try it?

**Jacob:** Well, the stock market has, like, shares of a company [inaudible], shares of a company. And then it represents, like, a certain percentage of, like, the company that you own, right? When you -- when you buy shares -- say you just buy one share and the company has 100 shares available, so you have one one-hundredth of that, and the company is worth, like, $100, then you have -- that $1 is worth $1 [inaudible]. So hopefully that company does something great, like it's Apple computers and they get paid for those computers and the company is worth more because they sell a bunch of stuff, so your percentage of that company is worth more also.

**Jeffrey Harrington:** Does that make sense? Okay. So the essential part is it's gambling, right? You assume the company is worth one amount of money, and you pay for it. The company goes up and expands and blows up and gets huge; your dollar has turned into $4, $10, whatever. Your one share, no matter what the price is, hopefully goes up. So you're making money. So if you have six shares of the company and they're each worth six shares of the company, they're each worth 100 bucks, you have how much money worth of the company? 600 bucks, right? Cool. Now, if the company tanks and your shares start to decrease in value, then you're losing money. But if the company goes great, you're in the -- oh, yeah. I'm making money.
Chances are, when you're investing, you're probably not going to put all your money in one company. You're going to want to do what they call diversification. You're going to put your money in either a bunch of companies or a bunch of different industries or a bunch of, like --- a great example would be a -- I'm blanking on the term -- a mutual fund, okay? So you are putting money into a bunch of different stocks, a bunch of different companies, a bunch of different -- so you're diversifying it. So the hope is that, when one company goes down, another company goes up exponentially higher. So they even out, and you're slowly starting to make some interest, right? So that's the hope with the stock market. Now, I'm not a financial advisor. I don't claim to be. I haven't passed my Series 7, my Series 63, none of that stuff. But this is all self-taught. This is all the finance books and Internet, and one of my favorite Web sites is investopedia.com. If you are confused on a finance term, Google it. Investopedia. Go in, type it in, like, what does 401K mean?

Get into a 401K, an IRA, a Roth IRA, a TSA, a 403B, blah, blah, blah, blah, right? There's all these different things. All they really are, are retirement savings accounts. So a 403 -- I'll work backwards. A 403B is a retirement savings account from a state institution. Like I work for a college. I make -- I use a 403B. That's just a tax term for it. A 401K is usually through a private institution.
And so what this is, is you can choose how you want your money to be invested. It can be invested in stock markets. It could be stocks and bonds. It could be stocks, bonds, and mutual funds. You can choose how you want to do it typically. So it's just a savings plan. It's just a big title for how you want to invest your money. All right? If you want to know specifics about each one of those, look it up or we can talk afterwards. But the Roth and the TSA, a TSA is a tax sheltered annuity and a Roth or an IRA is an individualized retirement account. So they sound like these big terms. They're kind of lofty and scary. But all they are is a way to save money in one spot. And you can't touch it typically till you're 65. Once you retire you can touch the money. If you pull it out beforehand, you're taxed. So the difference between a Roth and an IRA is you're being taxed now on the money or being taxed in the future.

So I'll basically -- I'll explain the basics of an IRA. An IRA is when you make $1,000 a month, you get taxed 25 percent, right? So your take home money is about 750 bucks. What happens is, when you get taxed on that money, with an IRA, you can take out money before you’re taxed. So instead of being taxed on $1,000, you might be taxed on only $800. So 25 percent of 800 is less than 25 percent of 1,000. Nod your head if you're tracking. Okay. So with that you're taking out your taxes now, so that's before tax, right? Roth is the opposite. So you're not -- you're not getting this pretax now but you're getting taxed on it later. So it's just something to think about. We can talk specifics when we're done here.
So what do I do with money? Do I put it into stuff? Do I buy a home? Do I buy property? Do I buy a business? Do I invest it in my own business? Who knows? That's up to you. Some people save their money and they travel. Katie Peterson [phonetic] is a perfect example. She doesn't want to buy a house yet, so she goes on these crazy adventures, right? Ask her about it. She invests her money into travel because for her that's important. Cars, these are not the investments. It's super important to realize that. Cars drop in value the second you drive them off a car lot, the second you get it from somebody else. Don't put money into your rims. Don't put money into your subs expecting to get some kind of return. Now, if you like rims and you like subs, then do it. That's cool. But put that into discretionary income. That is not a necessity for most people. If it's a necessity for you because you like rims and you can't live without them, then sure. But the whole point is: Your car is not going to increase in value unless you have some crazy classic car that's going to be worth millions of dollars one day. Chances are you probably don't own that car. I drive a Nissan Cube. It will never be a classic.
Okay. So these are my last couple slides. I want to be financially independent, meaning I don't want my parents to have to pay for anything. I don't want to have a bunch of student loans or credit card loans over my head, right? That sucks. That's scary. I mean, I have student loans right now, and so my goal for me, at least specifically, is I stretch them out over 30 years. But that's my personal choice because that means my interest is the lowest. My payment's really low currently because I don't make a lot of money. My hope in the next five to ten years is to make a bunch of money, right? So, if I make a bunch of money over the next ten to fifteen years, I'll pay back my student loans; not a problem, and I'll pay them off. Because when I get my student loans I made sure that there was no early repayment penalty. Sometimes loans want you to pay them off in 30 years and, if you pay them off early, there's a payment penalty. That's something to look into.

So for me financial freedom is having enough and then some. So it's that equilibrium point where you -- okay, now I've got enough. I'm meeting all my bills. I have enough to have discretionary funds. I have enough to save and then a little bit more. That's what I call "enoughness" or financial independence, right? So being rich is a super relative term. It does not exist. Don't let people fool you. Nobody is rich, right? Once you get to that point, someone else is richer than you, and you're going to want more. And then another person is richer than that person and you're going to want more. And, usually, the more money you have, the more money you spend. So a lot of times people can make $250,000 a year but they're spending $249,000 a year, and that's crazy. Like, that's crazy.
So if you can go back to that original screen of you’re making this much but you’re only spending this much and that gap right there keeps getting bigger and bigger and bigger because your spending stays the same, that's what I mean by living beneath your means. Like, you can spend $200,000 a year but you only need to spend 55. What do you do with the rest of that money? That's your choice. So the moral of the story: If you buy four Starbucks or three Starbucks a week at 4 bucks, that’s 12 bucks a week. If you do that every week for two years, you’re spending 1200 bucks. If you invested that and had it compounded monthly, you could make $970 in 2 years at a really low interest rate. [Inaudible] Crazy, right?
So, all good businesses track their income. Like, you'll never open a business and go, oh, my gosh, I didn't know I had financial records. Think of yourself as a business. Know where you get your money from. Know where you spend it. Cut the useless junk, like you don't need to spend money on certain things. Only you know what that is. I can't tell you what you're spending useless money on. For me it's eating out. Totally silly. But for you there might be something you enjoy. And then have a savings plan. Now, 50-30-20 is a rough estimate. If you're 55-25-20, great. You're getting there. That's super. Mine's kind of the reverse. I'm now 20-30-50. I save 50, I spend 30, and what I need to spend is 20. That's just because I live on campus, and that makes it really easy for me. But 50 should definitely be your necessities, 30 should definitely be your discretionary, and 20 percent should be savings. Now, the reason I don't give you hard numbers is because I don't know how much money you make. You might make 100 bucks a month; you might make 1,000 bucks a month. But the percentages are all relative. Depending on how much money you make, you can use this for yourself when you leave here. So the important part is understanding where you spend your money. So, other than that, if you have any questions, I'm happy to answer them. Have a great day. Don't do drugs.

[ Applause ]