Financial Literacy 101

**Financial Terms Glossary**

* **Gross Pay |** The total amount of money that you earned. If you are an hourly employee, this would be the number of hours worked multiplied by your pay rate. If you are a salaried employee, this would be your annual salary divided by the number of times you get paid throughout the year.
* **Net Pay |** The amount of money that you are actually paid. This amount is your gross pay minus federal and state income taxes, Social Security and Medicare taxes, and any other payroll deductions including health insurance and retirement contributions.
* **Annual Percentage Rate (APR) |** The annual interest rate you are either paying back on money you borrowed or earning on money you invested.
* **Stock/Bond |** Both are ways to invest. Buying stock makes you a partial owner of the company! Investing in bonds is equivalent to lending a company money. Bonds are much less risky than stocks but do not provide as much upside potential.
* **Financial Literacy |** The process of understanding money and its uses, how it works, and how to manage money well. Financial literacy helps you plan for your future financial goals and help make smart monetary decisions.
* **Budget** | The process of planning your earnings and spending for the upcoming month or year. Budgeting helps you keep track of your money, ensuring that you are planning well to meet all of your needs and fit in your wants as you are able.
* **Interest** | The cost of borrowing money, or the income from loaning money. If you receive a loan from a bank, the interest you pay is what you are compensating the bank for the ability to borrow the money. When you have money saved at a bank or an investment, the interest you earn is being paid to you for having loaned money.
* **Dividends |** A dividend is a check that owners of companies receive. A company may pay stockholders a quarterly check just for owning the stock.
* **Rate of Return |** When you calculate a return on investment you have to add not only how much the investment went up in value but also the income or dividends received.
* **Gain/Loss |** Stocks and bonds can gain and lose money. Typically the riskier the investment, the higher gains and losses can be.

**Pay Checks**

* What you earn and what you actually get paid end up being two different amounts.
* Before you get paid, the following amounts will be withheld from your paycheck:
	+ Social Security and Medicare Tax (7.65% of what you earn)
	+ Federal Income Tax (10% - 39.6% of what you earn)
	+ State Income Tax (5%-7% of what you earn in Nebraska)
* Additional withholdings for insurance, retirement contributions, and other items may also be withheld.
* After all these amounts are taken out, then you finally have what you are left with for a paycheck.

**Savings Tips**

* Automate
	1. Setting up automatic transfers into savings or retirement accounts is the easiest way to make sure you reach your goal. Set up the transfer then do nothing!
* Save for tomorrow… tomorrow
	1. It is very difficult to stop spending on things we already buy. To increase the money you save, consider automatically saving unexpected raises, gifts, or tax returns.

**The Importance of Interest**

* Compounding Interest: It’s the reason older people tend to have more money! Imagine a penny rolled down a mountain of cash, as the penny rolls the more money sticks to it and the bigger the ball of money gets. A young person is releasing his or her penny from the top of Everest while somebody who waits until later in life is starting from a hill.
* The Rule of 72: Divide 72 by the annual rate of interest your money is earning to determine the number of years it will take for your money to double.
(ex. 2% interest rate: 72/2 = 36 years)

**Budgeting – Online Resources**

The following are great online and mobile budgeting tools. All of these websites are free and a great way to track expenses and goals.

* Buxfer.com
* Mint.com
* Everydollar.com

**Student Loan Tips**

* Declare a major early
* Don’t borrow more than you need
* Use community college as a supplement
* Compare total loans to your estimated future income
* Live cheaply while in college
* Subsidized vs. Unsubsidized

**Contact Information**

**HBE LLP**

7140 Stephanie Lane 1314 Andrews Drive

Lincoln, NE 68516 Norfolk, NE 68702

(402) 423-4343 | hbecpa.com

**Brian M. Klintworth,** Accountant **|** bklintworth@hbecpa.com

**Zach Lundak,** Portfolio Advisor **|** zlundak@hbewealth.com