

The background of the entire slide is a technical drawing or blueprint, rendered in a light green color. It features various mechanical parts, pipes, and structural elements, creating a complex, grid-like pattern.

Fostering Financial Freedom

How to Make the Most of Your Career & Resources

The logo for New Wave Wealth Advisors consists of two overlapping circles, one blue and one purple, forming a stylized wave or infinity symbol.

NEW WAVE
WEALTH ADVISORS

Plan. Perform. Prosper.

**Now that you are excelling in your career,
start planning for a successful future via:**

- Budgeting
- Building & Maintaining Credit
- Planning for a Mortgage
- 529 Plans – Saving for Education
- Retirement – Company Plans & Benefits

Budgeting – Setting your Budget

- Your gross income is your total salary, but several deductions come out each month:
 - Federal & State Income Taxes
 - The fewer withholdings you claim on your W4, the more tax that is withheld from each paycheck and you have a greater chance of obtaining a tax refund when you file versus owing money to the IRS
 - Social Security
 - Medicare
- Your net income is the remaining amount that is paid via your paycheck
- Depending on your employer and benefits, you may also have the opportunity to withhold further benefits from your paycheck (and your employer will usually help with the cost of these benefits under its group plan):
 - 401K – Retirement Funding (sometimes the employer matches your contributions)
 - HSA – Health Savings Account (tax-friendly account to help pay for medical bills)
 - Health, Dental, & Vision Insurance

Gross Income vs. Net Income – Where Does your Money Go?

\$40,000
Salary

- Gross Bimonthly Paycheck = \$1,667
- Net Bimonthly Paycheck = \$1,319

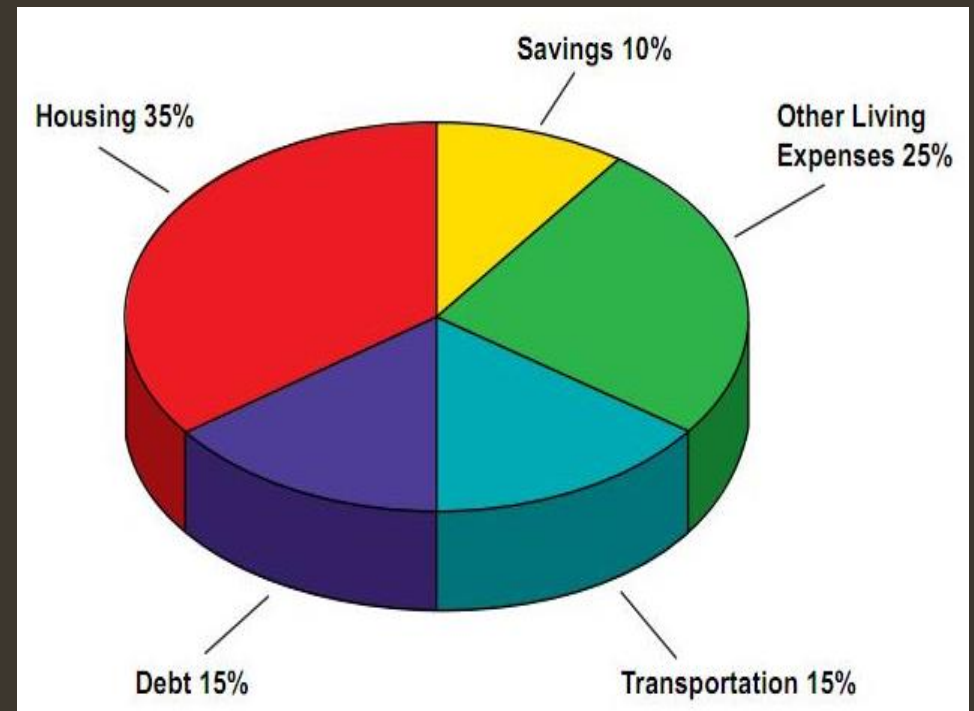
Where is your money going?

Gross Paycheck		\$1,667
● Taxes	13.22%	\$220
DETAILS ^		
Federal Income	9.12%	\$152
State Income	4.10%	\$68
Local Income	0.00%	\$0
● FICA and State Insurance Taxes	7.65%	\$128
DETAILS ^		
Social Security	6.20%	\$103
Medicare	1.45%	\$24
State Disability Insurance Tax	0.00%	\$0
State Unemployment Insurance Tax	0.00%	\$0
State Family Leave Insurance Tax	0.00%	\$0
State Workers Compensation Insurance Tax	0.00%	\$0
● Pre-Tax Deductions	0.00%	\$0
DETAILS ^		
Medical Insurance	0.00%	\$0
Dental Coverage	0.00%	\$0
Vision Insurance	0.00%	\$0
401(k)	0.00%	\$0
Long Term Disability Insurance	0.00%	\$0
Life Insurance	0.00%	\$0
Commuter Plan	0.00%	\$0
FSA	0.00%	\$0
HSA	0.00%	\$0
● Post-Tax Deductions	0.00%	\$0
● Take Home Salary	79.13%	\$1,319



Budgeting – Setting your Budget

- In order to set your budget, use your net income for planning (what you actually take home on your paycheck)
- Sort your current spending into categories
 - Review your past 3 months of bank statements
 - Categorize transactions
 - Compare categories and allocations to the target pie chart (right) and analyze discrepancies
 - Further break down categories by using the template on the following slides
 - Set a goal for each category and see where you can trim expenses and add to savings



Budgeting – Budget Template Example

FAMILY BUDGET

HOUSE EXPENSES	BUDGET	ACTUAL	DIFFERENCE	NOTES
Rent/Mortgage				
Electricity				
Natural Gas				
Telephone				
Internet				
Cable/Satellite TV				
Water/Sewer				
Garbage/Recycling				

AUTO EXPENSES	BUDGET	ACTUAL	DIFFERENCE	NOTES
Car Payment				
Gas				
Maintenance				
Repairs				

INSURANCE EXPENSES	BUDGET	ACTUAL	DIFFERENCE	NOTES
Homeowners/Renters				
Auto				
Health				
Life				

Budgeting – Budget Template Example

LIVING EXPENSES	BUDGET	ACTUAL	DIFFERENCE	NOTES
Groceries				
Household Goods				
Cell Phone				
Clothing				
Pet Care				
Personal Services (e.g. hair, dry cleaning)				

MISC EXPENSES	BUDGET	ACTUAL	DIFFERENCE	NOTES
Dining Out				
Entertainment				
Subscriptions				
Travel				
Charity/Gifts				

DEBT	BUDGET	ACTUAL	DIFFERENCE	NOTES
Loans				
Credit Card				

Full Page to Print & Use

FAMILY BUDGET

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DEBT	BUDGET	ACTUAL	DIFFERENCE	NOTES
Loans				
Credit Card				

Budgeting – Managing your Budget

- There are several methods to help manage your budget:
 - **Open a checking account and a savings account**
 - Based on initial planning, move any excess funds to your savings account immediately after receiving your paycheck
 - You can do a “split deposit” at the bank and a teller will help you
 - **Track spending by using online banking or budgeting apps on your phone**
 - Simplifi, Goodbudget, Mint, Buddy, etc.
 - **“Dave Ramsey Method” –**
 - Deposit your paycheck, withdrawal the “excess cash” you have until your next paycheck (according to your budget), keep the cash in an envelope in your purse, and spend the cash on “non-essential items”
 - Once your cash is gone, no more “non-essential purchases” until next paycheck
 - This will minimize frivolous spending and help to visualize how much “excess cash” you have at any time

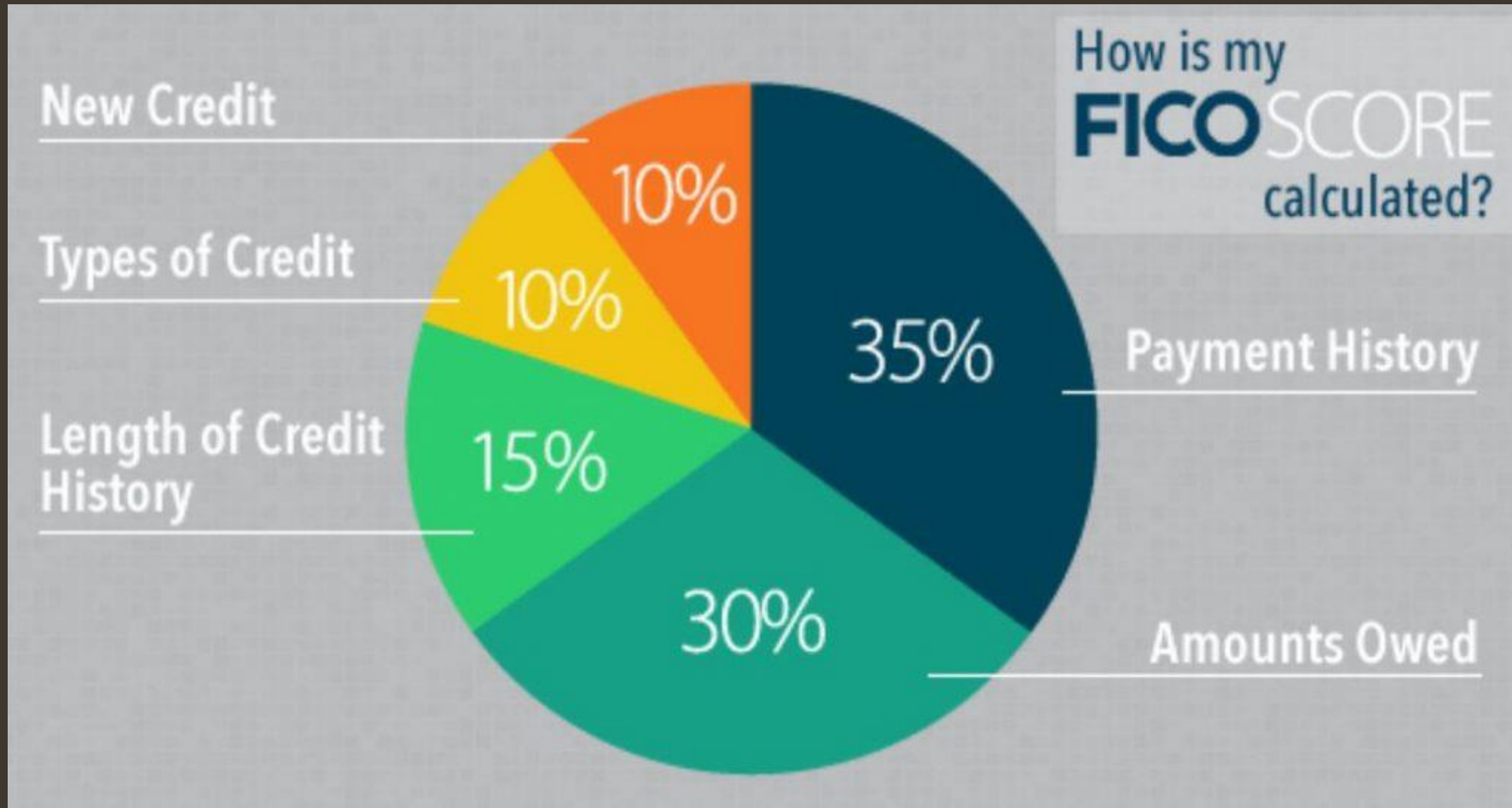
Building Credit

- At some point, you will likely need a loan for a car, home, business, etc.
- Your loan will consist of:
 - Principal – the amount of money that you borrow
 - Interest – the additional amount of money that the bank charges you to use/borrow their money
- Your interest rate and payment will be based on your credit score
- Your credit score is like a GPA – it is tied to your Social Security Number and follows you for life...it takes much longer to “raise” your credit than to destroy it
- There are 3 credit bureaus – all have separate scores and reports
 - Equifax, Experian, TransUnion
- Credit scores are tiered, so a small discrepancy in your credit score can lead to BIG differences in your interest rate and payment
- Begin building credit now and managing debt responsibly so that you have a strong credit score and can borrow money on favorable terms

Building Credit

- Your credit score consists of:
 - **New credit** (10%) – your ability to obtain new/recent credit lines
 - Don't take out several new credit lines all at once
 - Don't close or cancel old credit cards – simply pay the balance to \$0 and discontinue using them/cut them up
 - **Types of Credit** (10%) – fixed loans, revolving lines of credit, or mortgage loans
 - It is best to have one credit line in each category if possible
 - **Length of Credit History** (15%) – how long you have had credit in your name
 - **Amounts Owed** (30%) – how you manage your credit limits
 - It is best to have several lines of credit/credit cards that you use and repay monthly instead of using one card and maxing it out every month
 - Try to never pay interest-only payments if you use a credit card
 - Allocate payments to principal (the amount you actually spent) every month to continue to reduce your balance
 - **Payment History** (35%) – how you have managed your payments
 - If you pay your bills on time consistently, this will help your credit score
 - If you make late payments or miss payments, this will hurt your credit score
 - Late payments will be reported to the credit bureaus as “delinquencies” (30, 60, or 90 days past due) or “bad debt”
 - Lenders will not want to offer you new credit if you have these on your credit report

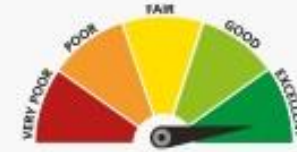
Building Credit



Credit Scores & Tiers

EXCELLENT
961-999

Most lenders would regard this score as very low risk and would expect very few people in this category to experience serious problems with repaying credit.



GOOD
881-960

Most lenders would view this score as low risk and would expect few people in this category to experience serious problems with repaying credit.

FAIR
721-880

Most lenders would regard this score as moderate risk and would expect only a small proportion of people in this category to experience serious problems with repaying credit.

POOR
561-720

Most lenders would view this score as high risk and would expect a high proportion of people in this category to have serious problems with repaying credit.

VERY POOR
0-560

Most lenders would regard this score as very high risk and would expect most people in this category to have serious problems with repaying credit.

How your Credit Score Affects Interest Rates & Payments

How your credit score affects credit card rates



Credit Score
740-850
APR
12.99%



Credit Score
680-739
APR
17.99%



Credit Score
600-679
APR
22.99%

\$50,000 Loan - 5 Years

<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Total Interest Paid</u>
12.99%	\$1,137.40	\$18,243.86
17.99%	\$1,269.40	\$26,163.96
22.99%	\$1,409.24	\$34,554.18

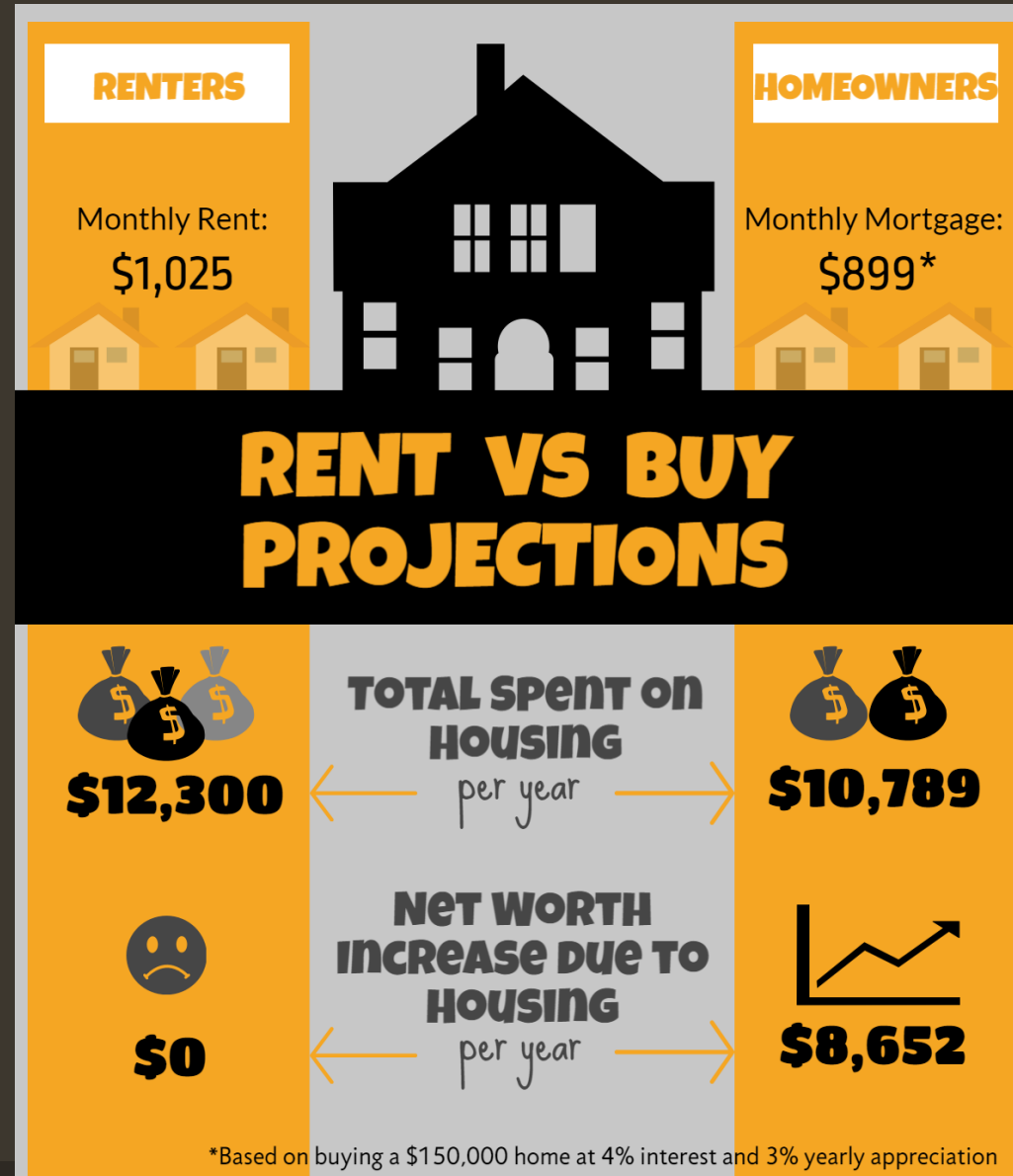
Maintaining Credit

- Don't get in over your head – add credit lines slowly and make sure that the new full monthly payment fits into your budget
- Be proactive and protect your score
 - If you know that you can't make your payment one month, reach out to your lender BEFORE your payment is late
 - Sometimes they will work with you in hardship situations, especially if you reach out to them before they have to call you
- Monitor credit report regularly to be sure that:
 - No late payments or delinquencies have been reported
 - Your open and closed trade lines are accurate
- You can go to www.annualcreditreport.com for free annual monitoring
- Your bank may have other free credit monitoring options
- You can also go directly through the 3 credit bureaus to review your reports
 - www.equifax.com
 - www.experian.com
 - www.transunion.com

Planning for a Mortgage

- Once you have a strong credit score and credit history, it may make sense for you and your family to own your own home
 - No more rent
 - Your monthly payments go toward building equity in your name
 - When you sell your home in the future, the money that you have paid in monthly mortgage payments comes back to you (and sometimes even more if the property has increased in value)
- Most mortgage loans require 3% – 5% of the purchase price to be paid as a down payment, so build this into your budget when you are ready to start saving for your down payment

Renting vs. Buying your Home – Financial Comparison



How Owning your own Home Benefits You

ADVANTAGES OF BUYING



MAKE IT YOUR OWN

One of the biggest reasons people want to buy a home is to have creative freedom to customize their home. From painted walls to kitchen remodels, owning a home allows you make it fit your style and interests.



EQUITY

If the value of your home stays the same or increases, you will build equity with each mortgage payment. Borrowing against the equity can help you pay for home improvements if your entire mortgage is paid-off or you refinance your home.



INVESTMENT REWARDS

You could potentially earn a large profit off of selling your home in the future. The value of your home goes up over time and if you invest in remodels and improvements, you could make a large return on your home in a good market.



PAYMENT STABILITY

With a fixed-rate mortgage, your monthly payments will be the same over the entire loan term. Although your mortgage statement will always be the same, your property taxes and insurance rates could fluctuate.

How your Mortgage Interest Rate Affects your Monthly Payment

\$200,000 HOME LOAN

30 YEAR MORTGAGE WITH 20% DOWN OF \$40,000



3.50%
INTEREST RATE

\$718.47
PER MONTH



3.75%
INTEREST RATE

\$740.98
PER MONTH



4.00%
INTEREST RATE

\$763.86
PER MONTH



4.25%
INTEREST RATE

\$787.10
PER MONTH



4.50%
INTEREST RATE

\$810.70
PER MONTH

529 Plans – Saving for Education

- Once you have mastered budgeting and have disposable income, you might consider starting to save for your or your children's future educational expenses
 - A small monthly contribution can grow over time
 - You can set up recurring monthly contributions from your bank account
 - Your contributions offer a state tax deduction if the account is held through the Arkansas Gift Plan (or the state in which you reside)
 - www.arkansas529.org
 - If you or your child gets a scholarship, you can roll over the account to another family member penalty-free or you can get your money back out with minimal IRS penalties
 - The tax-deferred growth of the account usually offsets the minimal IRS penalty
 - The funds in the account can be used for very broad educational expenses
 - National and international institutions are eligible (not limited to Arkansas schools), tuition, books, room & board, transportation, laptop, supplies, etc.

Retirement – Company Plans & Benefits

- Depending on your employer and benefits, you may have the potential to contribute to a 401K retirement plan
 - Part of your **gross income** can be withheld and contributed directly to your retirement account (401K) → this happens **tax free!**
 - The funds grow tax deferred until you reach retirement and use the funds
 - You don't pay taxes on the funds until you withdrawal them in retirement
 - Start this as soon as possible, even if you can only contribute a small monthly amount
 - Your employer likely has eligibility requirements (such as working at the company for one year), so be sure to ask when you are eligible for the plan and fill out paperwork to enroll in the plan before the deadline
- Your employer may match your contributions
 - This means that they contribute additional money above and beyond your salary to your 401K just for participating in their plan – they may match the money that you put into your 401K up to a certain limit
 - **Take advantage of this opportunity ASAP!** It is FREE money!

Retirement – Company Plans & Benefits

- Tax-deferred growth and compound interest over time can be very powerful
- Start small and do what you can now – it could pay off over the long term!



\$50 a Month at 5% Annual Growth

Long-term growth of a \$50/month investment @ 5% annual growth, compounded annually





Now...go tackle the world!!!

Please reach out for individual questions or personalized help.

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