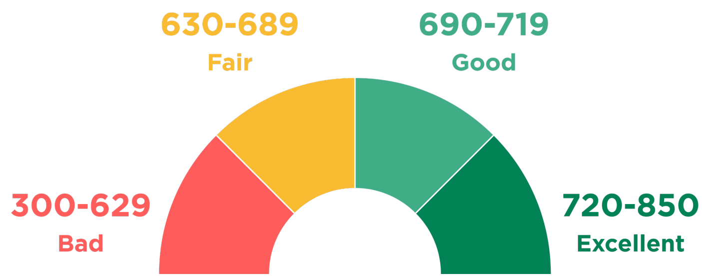
Personal Finances 101 w/ Dr. Meyer

Credit Cards:
- pay them off completely every month
- Increases credit score; you don't pay any interest
- Bad: easily used for temptations, so don't!

Debit Cards:
- Basically, access to your checking account
- Bad: easy to overdraw (causes fees); can have a minimum balance (causes fees)

**Use Discover Bank – high interest rate for money in your savings account (1.5-2% = GREAT!)*
- puts everything in one app: credit card, checking account, and savings account

Credit Score:
- Factors: Length of Credit
- Missed Payments
- Total Accounts (credit cards & loans)
- Inquiries (asking for credit card or loans)
- Revolving Utilization (amount of credit you owe)



Big Expenses:
- Avoid buying cars for as long as possible (don't "treat yourself"). Avoid buying a house unless you know you're going to be at a place/job for more than 5 years.

Cars – Never buy new! At least 3 years old (avoids the most depreciation)
  - Car Loans – if you can't pay at least half on the spot, don't buy it. Avoid loans longer than 3 years

Houses – First house ("starter house") ~70K-110K -> pay off quickly, use to put a lot on a second house

Mortgages (aka – home loan):
- Start with a "starter house" that's worse than you want = cheap, lower mortgage payment -> allows you to pay off the mortgage quickly, which you can then apply to your next "real house"
- Mortgages parts:
  - Principle – what you're actually paying on the house
  - Interest – what the bank is charging you to borrow the money
  - Escrow – money paid to cover annual house taxes
- Pay as much as you possibly can on top of the monthly payment to the **PRINCIPLE**!!
- Avoid 30-year loans (you'll pay more than double your house in interest for the "luxury" of a lower monthly payment) because of the high interest rates -> go for a 15-year (or 10-year if you can) mortgage = much lower interest rate; much more goes to the principle each month rather than the interest
- PMI (Private Mortgage Insurance) – have to have this if you can't initially pay more than 20% of the house's cost = simply more fees (so don't buy that house, or get the money so you can pay off at least 20% of the house)

Taxes - due April 15th for the year before (Jan. 1 to Dec. 31):
- Two credit cards: 1) personal use, 2) for professional use
  - Keep your professional credit card statements so that you can easily break them down at the beginning of the year (aka – itemizing)

- Itemize into categories: food, supplies, large equipment purchases, professional associations
- Track mileage for professional events (not your daily job) – keep a notebook in your center console and write your odometer reading at the beginning of the trip and at the end of the trip (mark what the trip was for)

<u>Retirement:</u>

- Roth IRA: takes taxes out initially (THIS ONE!!) – Max yearly limit: $6000
- Traditional IRA: takes taxes out when you retire (BAD!!)
- IRA's are just bank accounts, you need to invest the money in order for it to grow
  - Use Fidelity or Vanguard as your IRA account
- Invest in Low/No Fee stocks:
  - My recommendations: Fidelity account -> invest in whole market stocks (aggressive, but not insanely aggressive) such as FTEC, FXAIX, and FZROX
- How to Invest
  - Deposit money into Fidelity account by linking with your checking account (EASY!)
  - Buy stocks in the app (EASY!)

<u>Follow Dave Ramsey's 7 Baby Steps:</u>

1) Save $1,000 for starter emergency fund
2) Pay off all debt (except house) using the debt snowball
3) Save 3-6 months of expenses for a fully funded emergency fund
4) Invest 15% of your household income in retirement
5) Save for your children's college fund
6) Pay off home early
7) Build wealth and give

<u>Dave Ramsey's Debt Snowball:</u>

1) List all debts from the smallest balance to the largest.
2) Pay the minimum payment on every debt, except the smallest debt.
3) Pay as much as you can towards that smallest debt until it is paid off.
4) Once the smallest debt is paid in full, repeat the process by paying as much as you can toward the next smallest debt.