

Financial Empowerment

SMART RISE Committee Presents
Preparing Myself for Tomorrow



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Knowledge
is power.

- Francis Bacon



What's the problem?

K-12 Schools offer economics classes, but few teach the practical aspects of financial education

Mortgages, loans, credit scores, investment tools



The Construction Advantage (2024)

- Construction provides a pathway to a middle-class lifestyle
- Average weekly earnings in construction
 - Union: **\$1,530**
 - Non-union \$1,051



Not counting health, pension, etc., which contribute to long-term security!

Potential Pitfalls

- Rule of thumb: work 10 out of 12 months; 1500-1800 hours/year
- Cyclical work
- Down time between jobs
- Weather
- Pay only when working



Today's Topics

1. Budgeting
2. Building savings
3. Managing/minimizing debt
4. Long-term planning

And Resources



1. Budget Basics

- Why don't more people do it?
 - Too hard
 - Don't like math
 - Fear of confronting the *Inconvenient Truth*
 - Can't stick to it



- Budget is a PLAN: What you expect to earn & spend
- Doesn't have to be perfect
- Make adjustments along the way
- The more you do, the better you will get
- It's just *basic* math: + - x /
- Budgeting and being OFF is better than NO Budget

Budgeting Priorities

- In order of *importance*:
 - Pay everyday living expenses
 - Set aside money for savings
 - Pay down debt
 - Leaving something for “fun”
 - Save for Long-term Goals



Budgeting 101: The Process



- Pick a time period: monthly
- First: Estimate income (net)
- Next: Subtract Expenses:
 - Fixed, monthly and annual
 - Variable
- Bottom line:
 - What's left is what you have to spend on other things



Income



- Use **only regular** sources of income
 - Ex: Your pay, partner's pay, child support
 - Windfalls don't count in a budget
 - Tax returns, financial gifts, lottery winnings
 - Put those toward savings, debt or "other" spending
- Use net/take-home pay
 - Less taxes
 - Less dues

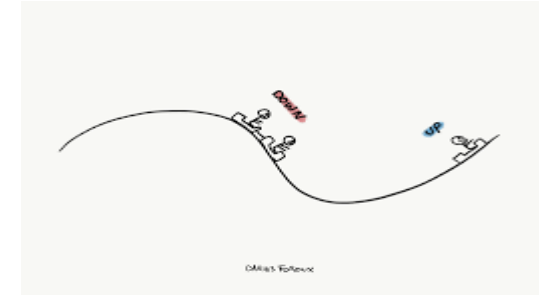
123 - John R. Doe				Pay Period 06/02/06 to 06/18/06		Required Deductions	
Earnings							
Hours	Rate	This Period	YTD	Federal Income Tax	00.00	00.00	
50	9.00	450.00	900.00	FICA - Medicare	06.08	12.16	
Gross Pay				WI State Income Tax	00.00	00.00	
				FICA - Social Security	25.92	51.84	
				Other Deductions			
				Health Insurance	00.00	00.00	
				401k	00.00	00.00	
				Parking	00.00	00.00	
				NET PAY	\$418.00	\$836.00	

Your Employer 1234 Some Street Milwaukee, WI ZIP CODE				Check Number: XXXXXX Pay Date: 06/19/06			
PAY ***Four hundred eighteen dollars and 00 cents*****				\$418.00			
To the Order of John R. Doe 555 Some Street Milwaukee, WI ZIP CODE							



Irregular Paychecks in Construction

Start with Annual Income



- Option 1: “Typical” weekly *net* paycheck x 44 wks
 - Allows for 8 weeks of downtime
- Option 2: Typical hourly rate x 1500-1800 hrs
 - Will need to account for taxes and dues as expenses
- Option 3: Estimate based on prior years’ experience
 - Use tax return
 - Adjust to reflect better/worse job market
 - Also need to account for taxes and dues as expenses

For all three options: *Divide by 12 for monthly budget*

Set “extra” budgeted pay aside to cover 8 weeks unemployment



Deduct *Essential*/Monthly Expenses



1. **Fixed:** Same amount every month
 - Rent, car payment, daycare
2. **Variable:** Fluctuate but you can estimate
 - Food, utilities, phone bill, credit card payments



Non-Monthly: Fixed or Variable

- Prorate to a monthly amount (divide by 3, 6 or 12)

Either way, you have to pay them



What's Left?

Discretionary Money

- Money you have total control over
- Important but not *necessary* expenses
 - Carry out, movies, dinner, clothes, streaming
- Also:
 - Pad your budget
 - Pay down debt
 - Add to savings



Not absolutely necessary but adds to your quality of life



What Happens if It Doesn't Add Up?

- Find more income
 - Possible but harder to do in the short run
- Find Cost Savings
 - Start with Variable Expenses (easier to control)
 - Groceries, transportation, utilities
 - Look at more competitive Fixed Expenses
 - Phone plan, internet, home/car insurance



Budgeting Tools

- NABTU/Trades Futures Budget Planning Template
 - Designed for union construction workers
- Forbes: You Need a Budget App (YNAB.com)
- Consumer Financial Protection Bureau
 - Your Money Your Goals; Toolkit Budget Planner



2. Savings

- Financial peace of mind
- Prevents budget derailment



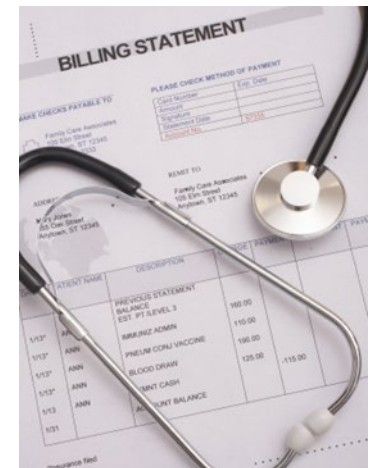
Note: Separate from what you set aside to cover 8 weeks of unemployment



Three Types of Savings Funds



- **“Stuff Happens” Fund: \$500-\$1000**
 - Intended to cover relatively unexpected expenses
 - Examples: emergency travel, car repair, appliance replacement
- **Emergency Fund: 3-6 months of income**
 - Covers major expenses or long-term illness/unemployment
- **Long-Term Goals Fund**
 - Large purchases and investments
 - New car, house down payment, college tuition



Small works: \$10/week = \$520/year



- Save it before you see it
 - Automatic transfers from checking to savings
- Save certain bills (\$5s or \$10s)
- Kitty's cash can
- Ignore your raises
 - Budget based on last year's income, not this year's.



Do whatever works for you!



Some *Simple* Savings Ideas

- Bring your lunch/coffee/water thermos
- Take out vs eat out
- Drink with buddies at home
- Adjust thermostat
- Shop thrifts/Community free FB sites
- Bypass convenience packaging
- Scout cheapest gas
- **Fix vs replace**
- Turn off the lights
- Skip Door Dash
- **WHAT ELSE???**



Separate Accounts for Different Purposes

Easier to manage and target for your purpose



- Routine bills: Checking account
- Set aside for 8 wks off: Savings Account #1 (tied to checking)
- 1st Stuff Happens fund (\$500-\$1000): Savings Account #2
- 2nd Emergency Fund
 - Combine and move to CDs/Money market/Mutual Funds
- 3rd Long-Term Savings
 - Account #3: CDs/Money market/mutual fund



3. Debt Management



- *Debt* is how much you owe based on what you have borrowed
 - Amount you have to pay back
 - Interest/fees to pay for the use of someone else's money
- Buying on *credit* means going into *debt*
 - *Credit* is how much an institution is willing to lend you
 - *Debt* is what you owe

“Most purchases on credit could be accomplished by accumulating cash first and buying the item later, but this often is not the time pattern consumers prefer.”



Sources of credit: Bank, Credit Union, Store

- **Revolving credit:**

- Varying minimum amounts due with no set time to repay in full
 - Credit cards
 - Store credit



- **Fixed term credit:**

- Usually flat dollar amount due each month over a set amount of time
- Usually for large purchases
 - Mortgages
 - Auto loans
 - Student loans



Revolving Credit: Pay more than the minimum

- Example: \$5,000 credit card balance at 14% interest
- Minimum payment:
 - \$117
 - 18 years to pay off
 - Total cost: balance plus interest: \$10,032
- Paying more than minimum:
 - \$172 (\$117 + \$55)
 - 3 years to pay off
 - Total cost: balance plus interest: \$6,140

Assumes no additional purchases on the card



How would you pay these bills with \$500?

(\$400 minimum payments + \$100)

A. Don's Electronics

- Balance: \$2,000; Minimum payment: \$60
- Interest rate: 22%



B. Visa Bill

- Balance: \$800, Minimum payment: \$15
- Interest Rate: 11%



C. Discover Card Bill

- Balance: \$1,200, Minimum payment: \$25
- Interest Rate: 15%

D. Car Loan

- Balance: \$6,000, Monthly payment \$300
- Interest Rate: 6%



The Snowball Effect: Lowest Balance First

- Pay off lowest balance first

B. Visa: \$800	\$115	(\$15 min+\$100)
C. Discover: \$1,500	\$25	
A. Don's Electronics: \$2,000	\$60	
D. Car loan: \$6,000	<u>\$300</u>	

When each bill is paid off apply the amount saved to the debts with the next lowest balances until they are paid off.

- Discover: \$1,500 \$140 (\$25 min+\$115)
- Don's Electronics: \$2,000 \$60
- Car loan: \$6,000 \$300



The Avalanche Effect: Highest Rate First

- Pay off highest rate first

A. Don's Electronics: 22%	\$160 (\$60+\$100)
C. Discover: 15%	\$25
B. Visa: 11%	\$15
D. Car loan: 6%	<u>\$300</u>



When each bill is paid off apply the amount saved to the debts with the next highest interest rates until they are all paid off.

• Discover: 15%	\$185 (\$25+\$160)
• Visa: 11%	\$15
• Car loan: 6%	<u>\$300</u>

Beware credit card come-ons

- Zero or low initial interest rates
- Reward points/Cash back
- Balance transfers
- Payment holidays (skipping payment)
- *Don't get lured into taking on more debt than you would without the card*



Sources to avoid

- Short term/high rate credit
 - Payday loans
 - Title loans
 - Pawn shops



Credit scores

- Credit scores/ratings
 - FICO Score between 300-850
 - Higher the better: 690+
 - Used as a basis for your credit terms
 - Better your score, lower your interest rate
 - Based on your credit report
 - **#1 factor: *Paying bills on time***
 - *Set up automatic payment*
 - **#2 factor: *Debt to Credit ratio***
 - *Don't max out cards*
 - *Keep at 30% or lower*
 - *Eg \$1,500 debt on a \$5,000 card limit*



4. PREPARING FOR RETIREMENT

- 70% of Americans wish they had started planning for retirement earlier
- Compound interest and regular contributions = money will grow over time
- Construction workers retire earlier than most others

Fortunately, Union Construction Workers Get Pensions!!!



VS.

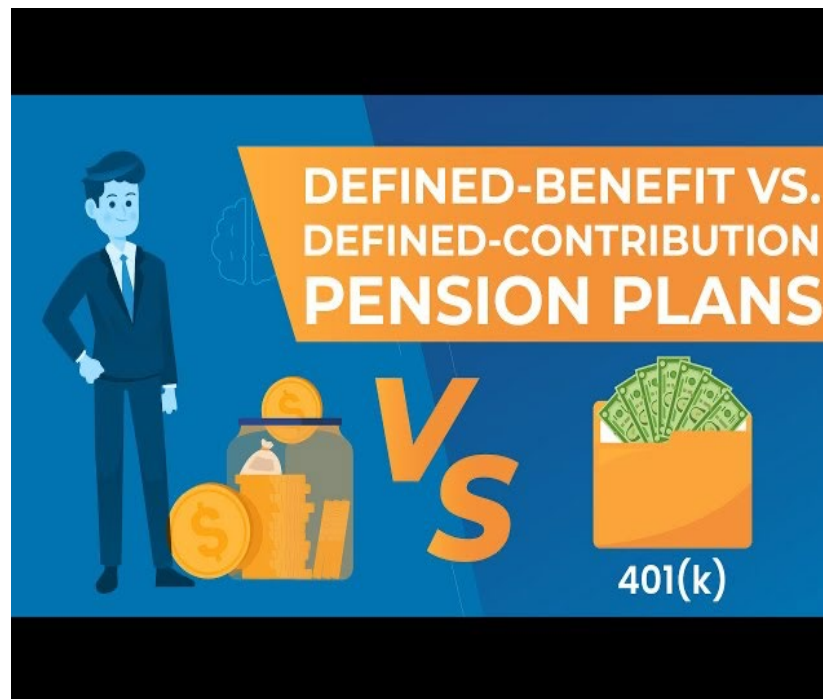


Sources of Retirement Income

3-Legged Stool

- 1) Savings and investment (non-retirement accounts)
- 2) Defined Benefits Plans (Pensions) and/or Defined Contribution Plans
- 3) Social Security

Comfortable
Retirement



Defined Benefit vs Defined Contribution Plans

• DB: Pension Plans

- Gold Standard for Retirement
- Increasingly less common
- **Guaranteed income for life**
- Employer assumes risk
- Easier to plan
- Access upon vesting/plan rules



• DC: Retirement Savings Plans

- 401K most common
- Employer-based savings plan
- Worker determines investment
- **May not outlast your life**
- Limited access before 59 ½



Most financial experts recognize pensions as the better deal for workers

Social Security Retirement Benefits



- Full benefits at age 65-67
- Reduced benefits at age 62
- Increased benefits up to age 70
- Fixed amount over lifetime
- Adjusted for inflation
- Benefits based on a formula based on average 30 yr lifetime earnings.
- *Average* retirement benefit is \$2,009/month
 - \$22,884/year (2025)*
- Replaces about 40% of income

***Social Security Administration**



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Go Digital! Create your personal **my Social Security** account today

An online **my Social Security** account provides you with personalized tools, whether you receive benefits or not. With this free and secure account, you can request a replacement Social Security card, check the status of an application, estimate future benefits, or manage the benefits you already receive.

When you create your account, opt in to receive your notices online, faster and more securely than by mail. Choose the online notice option to get your annual Cost of Living Adjustment (COLA) benefit amount and tax forms up to three weeks earlier than by mail!

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Sign In

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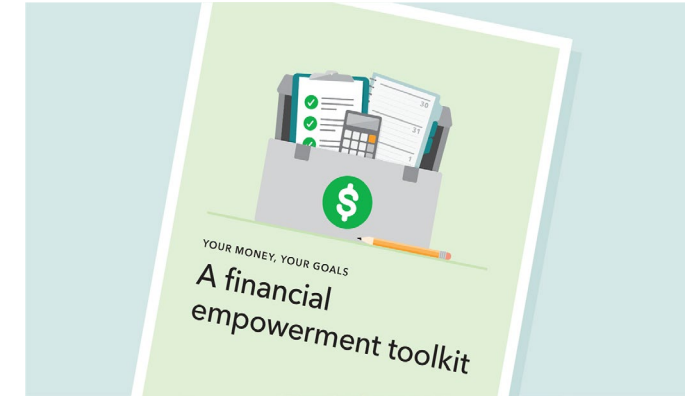
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Many Resources for Education and Help:

- Consumer Financial Protection Bureau
 - *Consumerfinance.gov*
 - **Your Money Your Goals Tool Kit**
- General financial websites
 - Bankrate; Motley Fool; Nerd Wallet
- Savings/banking apps
- Union Plus program
- Consumer Credit Counseling Foundation





- **Don't squander opportunity**

- Work while you can
- Keep your skills sharp through training
- Stay healthy
- Be the person the contractor wants to keep



- **Take control of your money now!**

- Start a budget and stick to it
 - Get back on the wagon **when** you fall off!
- Start savings for small and eventually large emergencies
 - Little at a time is OK!
- Avoid debt/use debt wisely
- Stay top of/understand your retirement plans/accounts

