

## Chapter 4: Financial Literacy A Mentor's Guide

*“Money, like emotions, is something you must control to keep your life on the right track.”*

— N. Munson

### Your Paycheck

It's always a surprise when an individual looks at their first paycheck. The document labeled **Your Paycheck** provides an overview of the taxes and other items that are taken out of the amount of money that an individual earns. It is important in money management discussions that youth consider their total net salary and not their gross wage when making financial plans. We've also included a **Sample Paycheck** with a detailed description of the check components.

### Banking Basics

We highly encourage all teenagers and young adults to start a bank account. Learning **Banking Basics** including how to use the bank and the various account options is a critical life skill. Here's a simple outline of talking points to review when discussing banking. Having a bank account can keep money safe and also could potentially help earn money through the interest received from keeping money in the bank.

### Credit Cards

*“It's not your salary that makes you rich, it's your spending habits.”*

— C. Jaffe

There's a very good chance that a young adult will have a credit card. They may have even been encouraged to get one for emergencies or to build up a credit history. Students increasingly have been using credit cards to finance living expenses and education, a necessity for many given the rising cost of education. Despite the name, credit cards are in fact loans, requiring repayment with interest. Paying high interest on educational expenses means overpaying for college costs and the need for using credit cards must be balanced with the danger inherent therein.

Take a moment to review this simplified document about **Credit Cards**. Be sure to encourage anyone you are working with to shop around for various credit cards and read the fine print about payments and interest charges.

### Monthly Expenses

Here are some basic tips for looking at your projected monthly cash flow and considering careers that meet your financial needs. Use these directions for working through the **Monthly Expenses** document.

1. Assess your monthly expenses. Make a list of all of your anticipated monthly expenses, including any money that you spend on fun things like eating out, entertainment or hobbies and any minimum payments that you have to make towards your debts. Review your plans for the upcoming month, and make a note of any extra expenses that you are likely to incur. This includes, but is not limited to: scheduled car or home repairs, medical or dental bills, gifts, trips, parties, extra meals out, subscription renewals and holiday-related purchases.
2. Build in a cushion. Look at how much money you want to have left after covering all of your anticipated expenses, and decide if what remains is enough cushion against unexpected expenses (car or home repairs, medical bills, missed work time, etc.) If you're not sure how much extra to build in, 10-percent is a good rule-of-thumb.
3. Savings: Build up your savings and investments so you are ready to make major life changes like making a move, buying a car or purchasing an apartment.
4. Yearly Salary: Multiply by 12 the monthly total expenses, cushion, and savings to determine the total yearly salary you need.
5. Careers: Check the salary you desire against salary projections and local job ads. Come up with jobs that match your salary expectations. Realize that the cost-of-living goes up over time and hopefully your salary will too.

## **Education Pays**

Many individuals often lose sight regarding the true importance of an education. In the most basic sense, education is important in society because without the obtainment of a high school diploma, GED or college degree, an individual will invariably face barriers and impediments regarding their ability to obtain a job. Without a basic education, individuals will have a difficult time functioning, earning an income, and being able to raise a family. The attached document labeled **Education Pays** outlines the significant pay differences for an individual with minimal education, versus an individual that obtains advanced college degrees. Also, outlined in this document is the employment rate based on educational attainment.

## **Apprenticeship Options**

Many youth, parents, and educators forget that there are other viable career choices that an individual can pursue without getting a college education. These are good careers that result in high wages and are in-demand fields. **Apprenticeship Options** outlines the career choices in the apprenticeship fields in California. We highly encourage youth that are interested in these options to visit an apprenticeship program and talk to the teachers and tour the facility. It should also be noted that many apprenticeships offer college credit for the training that an individual receives.