

# Financial Planning, Debt Management, and Investment Opportunities for Recently Graduated Professional Students

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## Agenda...

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- Define Worth
- Financial Mistakes to Avoid
- Setting Goals
- Budgeting
- Salaries
- Credit Repair
- Debt Consolidation
- Investment Opportunities

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## Objectives...

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- Give a brief overview of available resources for money management
- Have class understand implications of not planning for their financial future
- Allow class to understand future opportunities for wealth building and management
- Provide class with initial (basic) understanding of financial terms

## Disclaimer...

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- I am not a licensed financial planner...
- However, I am in a lot of debt...



## Famous Words by Famous People...

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- I have tried to turn every disaster into an opportunity  
– John D. Rockefeller
- When one door closes, another door opens  
– Alexander Graham Bell
- The hardest thing to understand in the world is the income tax  
– Albert Einstein

## How Do You Define Worth?

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- Salary Income
- Investment Income
- Credit Lines
- Bills
- Taxes
- Other Expenses
- Credit Debt
- Student Loan Debt

## The 7 Biggest Financial Decisions You'll Ever Make...

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- How you handle risk
  - Risk should be age appropriate
- Your choice of career
  - Will your skills retain value year after year?
- Your lifestyle
  - Every dollar you don't spend on a house saves you \$2.40 in mortgage payments

## The 7 Biggest Financial Decisions You'll Ever Make (cont)...

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- How you manage debt
- protecting your assets
  - your ability to work
- How many children you have
  - \$526,000 to raise 2 children and pay for public college
- Marrying
  - In bankruptcy, IRAs are untouchable by creditors
  - In divorce, nothing is safe from the attorneys

## 9 Steps to Help You Meet Your Goals...

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- Use a computer program to get organized:



- **Prepare a Budget**
- Prepare for the unexpected
  - Set aside at LEAST 3 months worth of income (such as a money market fund)

## 9 Steps to Help You Meet Your Goals (cont.)...

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- Review your will and estate plan
  - “Death Tax” is 55% leveled on all non-exempt assets
  - Payable in cash by estate within 9 months
- **Get a better handle on your credit**
  - **Average credit card rate is 14.9%**
- Establish some savings goals
  - Do you want to retire at 55 instead of 65?

## 9 Steps to Help You Meet Your Goals (cont.)...

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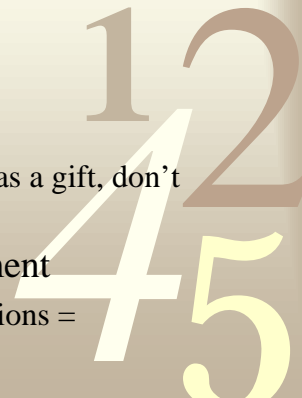
- Create an investment strategy
  - Stocks
  - Bonds
  - 401(k)
  - IRA
  - Roth IRA
- Build and track your investment portfolio
- Assess your insurance needs



## Common Mistakes in Money Management...

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- Not knowing where the money goes
  - Most people can't account for 20% of their income.
- Failure to set priorities and goals
- Tendency to be too trusting
- Lending money to relatives
  - If you can't afford to give the money as a gift, don't lend it.
- Waiting too long to plan for retirement
  - Median income for women from pensions = \$233/month



## Common Mistakes in Money Management (cont)...

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- Counting on prince / princess charming
- Overuse of credit
- Poor shopping habits
- Insufficient attention to financial details
- Lack of a regular system for savings

## Where Are You Now?

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- The only way to know where you are going financially, is to know where you stand (with your creditors, the government, the IRS, etc.) at the present time
- Budgeting gives the individual the ability to see a “snapshot” of personal financial health at any given time for a specified period

## Budgeting...

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- What is personal financial planning?
  - Controlling your day-to-day financial affairs
  - Choosing and following a course toward long-term financial goals
  - Building a financial safety net to prevent financial disasters
- Why Budget???



## What Does It Cost?

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- |                                |                  |
|--------------------------------|------------------|
| • Daily cup of coffee          | • \$390 / year   |
| • 2 packs of cigarettes / week | • \$3,285 / year |
| • 1 hardback / month           | • \$690 / year   |
| • Lunch takeout 5 days / week  | • \$2,600 / year |
| • 3 drinks at a bar / week     | • \$780 / year   |
| • 3 six packs of beer / week   | • \$624 / year   |



# Steps to Balancing Your Budget...

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- Where Are You Now?
- How Much Are You Worth?
- How to get Out of Debt.
- Set Your Goals.
- Establish Your Budget.
- Plug the Holes.



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## Personal Budgeting Worksheet

[www.cpd.fsu.edu/fp101/personalbudgeting/htm](http://www.cpd.fsu.edu/fp101/personalbudgeting/htm)

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**Fundamentals of Financial Planning**  
**Personal Budgeting Worksheet**  
 (Period covering \_\_\_\_\_ to \_\_\_\_\_)

The following sheet is designed to record expenditures of net income after deductions for federal and state income tax and Social Security.

Item	Historical	Target	Actual	Difference
Household Expenses				
Rent/Mortgage				
Real Estate Taxes				
Electricity				
Gas				
Water/Sewer				
Cable/Internet				
Telephone				
Furniture				
Appliances				
Repairs				
Cleaning/Maintenance				
Other Household				
<b>Total Household</b>				
Food				
Groceries				
Eating Out				
Other				
<b>Total Food</b>				

[www.toolkit.cch.com/tools/fambud\\_m.asp](http://www.toolkit.cch.com/tools/fambud_m.asp)

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	January	February	March	April	May	June	July	August
<b>INCOME DESCRIPTION</b>								
Wages (partner 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Wages (partner 2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest on Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revolving Loans	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL INCOME</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>EXPENSE DESCRIPTION</b>								
Auto expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Auto insurance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Auto payment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cable (shop and deliver)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cable TV	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Charity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Child care	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Clothing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Credit card payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cuts and subscriptions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Electricity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Entertainment and recreation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gas (company)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gas	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Groceries and outside meals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Health insurance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Home repairs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Household	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Income tax (estimated)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Laundry and dry cleaning	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Life insurance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Medical and dental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

## Microsoft Money 2002 Budget Builder...

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Budget Group and Category	Interest	Amount	Total
<b>Income</b>			<b>1,000.00</b>
Wages			
Wages - Cable/Television	Monthly	40.00	
Other Expenses for Wages - Cable/Television	Monthly	0.00	
Subtotal	Monthly	40.00	
Wages - Electricity	Monthly	80.00	
Other Expenses for Wages - Electricity	Monthly	0.00	
Subtotal	Monthly	80.00	
Wages - Mortgage Payment	Monthly	1,000.00	
Other Expenses for Wages - Mortgage Payment	Monthly	0.00	
Subtotal	Monthly	1,000.00	
<b>Total monthly income</b>		<b>\$1,000.00</b>	
<b>Total monthly expenses</b>		<b>\$5,204.00</b>	
<b>Left over</b>		<b>\$4,204.00</b>	

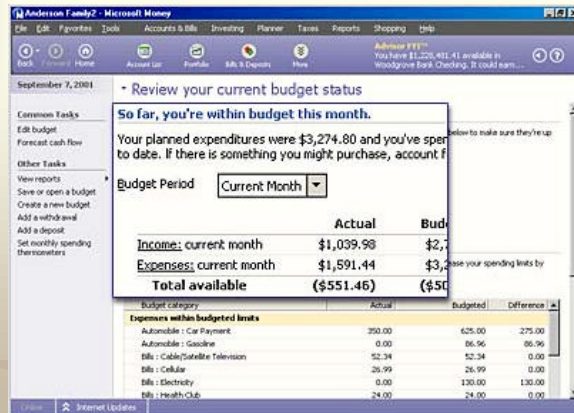
Enter values from Subtotal:

Microsoft Money 2002 Deluxe

- [www.buy.com](http://www.buy.com)
- \$53.95

## Quicken 2002 Budget Builder...

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• [www.buy.com](http://www.buy.com)

• \$53.95



## Salary (and why it's important)...

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- First line of income
- Creates positive (or negative) points on your credit score
- Means of investing for future income

Show me the MONEY!!!



"Jerry Maguire"  
(Courtesy TriStar Pictures)

## Average Salaries (Healthcare)...

[www.salary.com](http://www.salary.com)

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- Pharmacy:
  - Pharmacy Director: \$109,984
  - Pharmacist, Retail: \$75,302
  - Pharmacist, Clinical: \$82,432
- Nursing:
  - Registered Nurse: \$37,902
  - Charge Nurse: \$53,524

## Average Salaries (non-healthcare)...

[www.salary.com](http://www.salary.com)

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- Manufacturing:
  - Senior Managers: \$120,268
  - Midlevel Managers: \$89,926
- Finance and Banking:
  - Senior Managers: \$138,128
  - Midlevel Managers: \$93,897
- Insurance / Real Estate / Legal:
  - Senior Managers: \$104,910
  - Midlevel Managers: \$78,122

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www.salary.com

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## Negotiating a Higher Salary...

- Provide comparable salaries:
  - Written evidence that your desired salary is consistent with the market.
- Assert that you'll be performing more responsible work in the coming months
- Plant the idea that without a higher salary, the employer risks losing you.
  - Headhunter trick

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## Credit...



## Debt to Income Ratio...

- Must be below 20%!



## Get a Handle On Your Credit...

- 001 • **Credit Reporting Agencies (CRA):**
  - **Equifax:**
    - 1-800-685-1111
    - www.equifax.com
    - PO Box 740241 Atlanta, GA 30374-0241
  - **Experian:**
    - 1-888-397-3742
    - www.experian.com
    - PO Box 2104 Allen, TX 75013-2104
  - **Trans Union:**
    - 1-800-916-8800
    - www.tuc.com
    - PO Box 1000 Chester, PA 19022

**\$9.00 per  
report  
maximum  
charge**



## Credit Report Request...

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**Credit Report Order Form**  
 For your privacy, print this page, completely fill in the blanks and Fax to:  
 1 (800) 657-5550  
 Order Form  
 Price @Experian/Equifax/TransUnion... \$29.95  
 RF2052

Please read the Credit Report Authorization/Disclaimer before proceeding.

Who is this credit report for?  
 Social Security Number: \_\_\_\_\_  
 Full Legal Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Phone: (\_\_\_\_) \_\_\_\_\_  
 Date of Birth: \_\_\_\_\_  
 Previous Address (if less than 6 months at address above):  
 Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Charge to:  
☐ VISA  
☐ Mastercard  
☐ American Express  
☐ \_\_\_\_\_

Expires: \_\_\_\_\_  
 Card Number: \_\_\_\_\_  
 Name as it appears on Card: \_\_\_\_\_  
 Signature: \_\_\_\_\_

Authorization: I hereby authorize Metropolitan Financial Management dba Aurion Solutions to obtain a personal credit report for me on my behalf from Mighty Net, Inc. This credit report will be mailed directly to the person and address listed above.  
 Metropolitan Financial Management dba Aurion Solutions

## Credit Card DEBT...

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- Make sure your money is working for you, instead of against you:

– Example from HELL...

- \$2,000 charged on a credit card
- 19.8% interest
- You pay only the minimum monthly payment



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## Credit Debt Will Eat You (and your investing ability) Alive...

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- Payoff time:
  - 31 years and 2 months
- Payoff amount:
  - \$8,202 (interest payments) + \$2,000 principle
  - \$10,202 total paid amount



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## Credit Card Consolidation...

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- Consumer Protection Act of 1996...
  - [www.alliedtrustee.com/fairdebt.htm](http://www.alliedtrustee.com/fairdebt.htm)



## National Foundation for Credit Counseling

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[www.nfcc.org](http://www.nfcc.org)



[www.debtadvice.com](http://www.debtadvice.com)

## Consumer Credit Counseling Services [www.cccsintl.org/](http://www.cccsintl.org/)



## Auriton Solutions Incorporated [www.debt-help.com](http://www.debt-help.com)



# Student Loan Consolidation...

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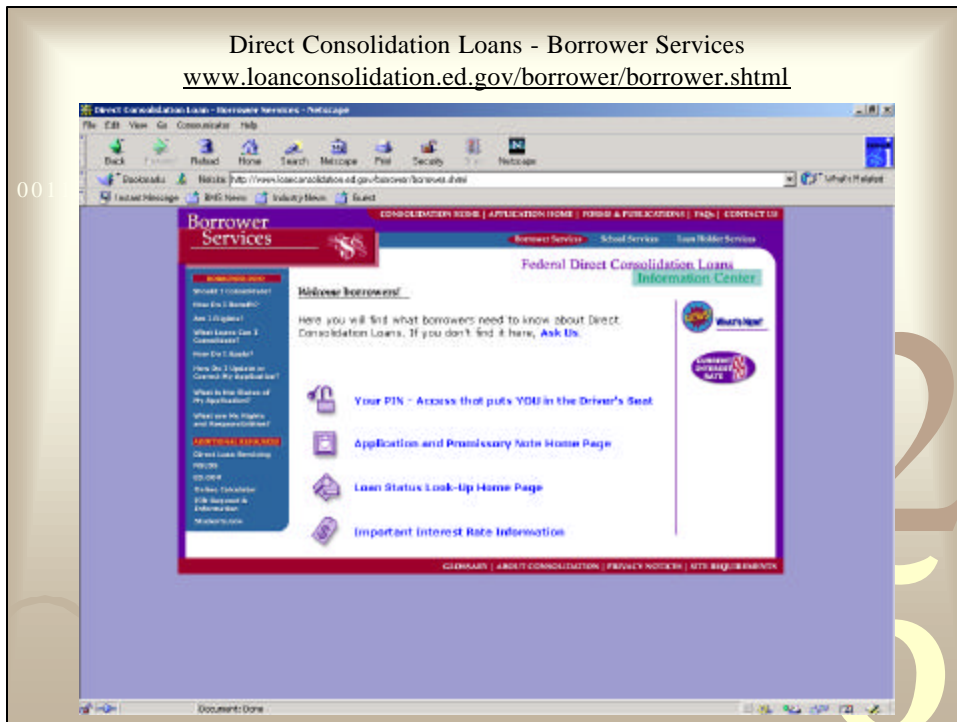
## Federal Direct Consolidation Loans

[www.ed.gov/DirectLoan/consolid2.html](http://www.ed.gov/DirectLoan/consolid2.html)

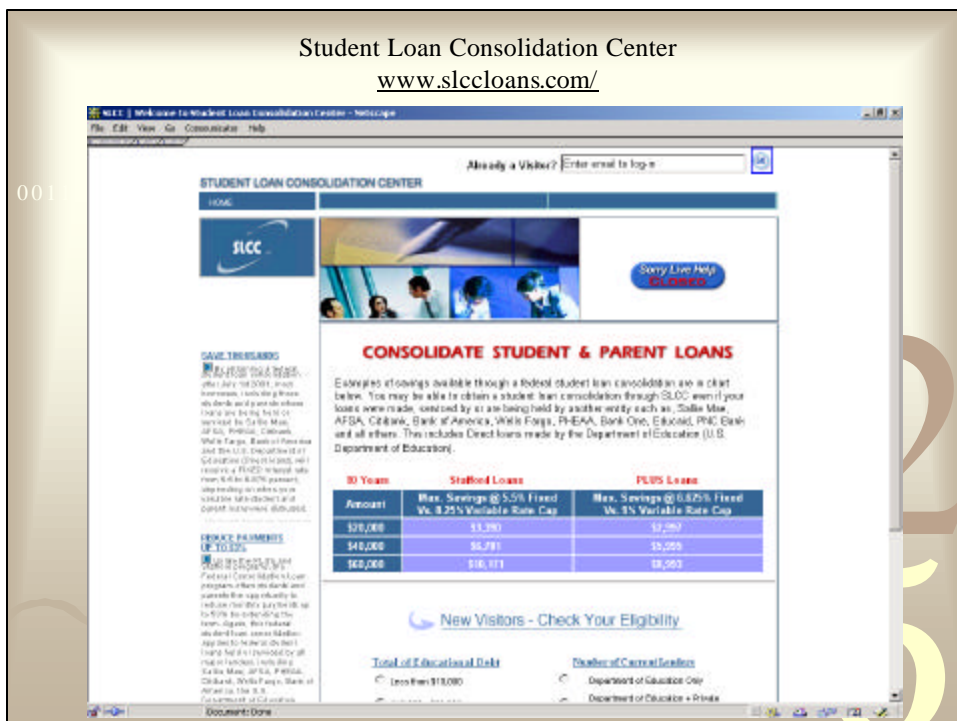
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Direct Consolidation Loans - Borrower Services  
[www.loanconsolidation.ed.gov/borrower/borrower.shtml](http://www.loanconsolidation.ed.gov/borrower/borrower.shtml)

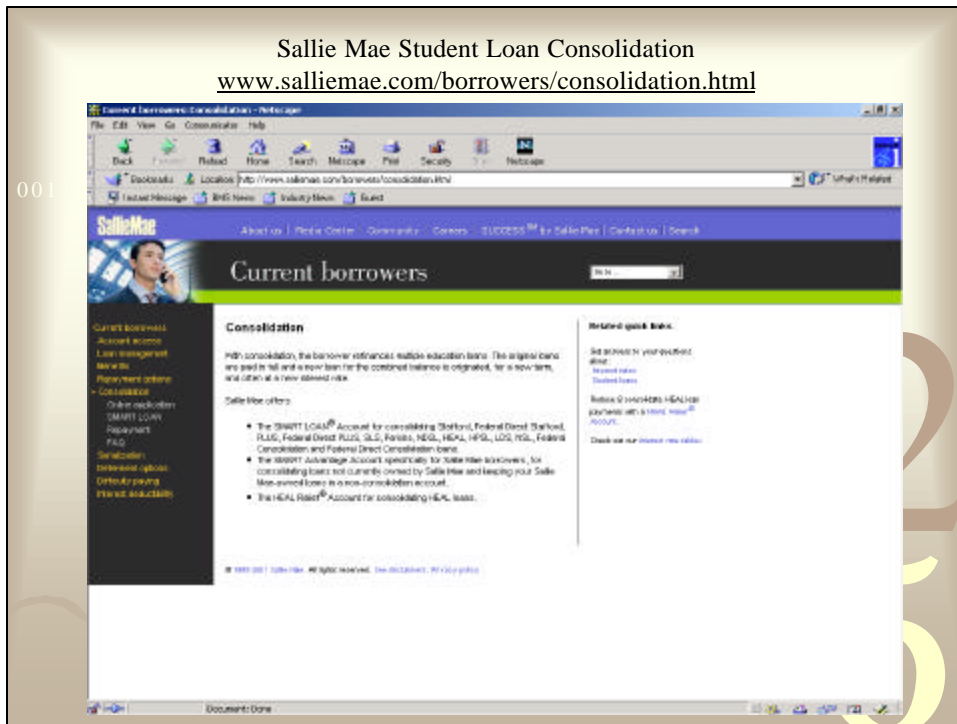


Student Loan Consolidation Center  
[www.slccloans.com/](http://www.slccloans.com/)



Sallie Mae Student Loan Consolidation  
[www.salliemae.com/borrowers/consolidation.html](http://www.salliemae.com/borrowers/consolidation.html)

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Investing Opportunities...

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## Ten (10) Investing Rules...

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- Have a PLAN
  - Goals should be the basis of your plan
  - Are you investing to build wealth or to build a retirement fund
- Don't be blinded by TAXES
  - Save using tax-deferred investments:
    - Roth IRA
    - 401(k)

## Ten (10) Investing Rules (cont)...

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- When investing, stick to QUALITY
- Time in the Market is more important than Timing in the Market
- Diversify your portfolio (Enron)
- Buy to KEEP
  - 1 day return on investment 53%
  - 1 year return on investment 73%
  - 5 year return on investment 93%
  - 10 year return on investment 97%

## Ten (10) Investing Rules (cont)...

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- Your first loss is your best one
- Make all investing decisions carefully (with the help of an advisor)
  - 80% of all day traders lose money
- Once you decide, ACT!
- Review your PLAN
  - Check your investment strategy at least once quarterly

## What are Bonds?

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- A bond is a loan and you are the lender.
  - Who's the borrower?
    - Usually, it's either the U.S. government, a state, a local municipality or a big company like General Motors
    - All of these entities need money to operate -- to fund the federal deficit, for instance, or to build roads and finance factories
- So they borrow capital from the public by issuing bonds
- You pay a “face value” up front
- You are entitled to that “face value” plus interest at the maturity of the bond

## What are Stocks?

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- STOCK IS OWNERSHIP
- How Is a Stock Valued?
  - Earnings (a.k.a. profits) are the supreme measure of value as far as the market is concerned
  - No guarantees!

## Investment Comparison...

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- |                                 |                                |
|---------------------------------|--------------------------------|
| • Bonds:                        | • Stocks:                      |
| – 5.2% annual returns over time | – 11% annual returns over time |
| – Risk averse                   | – Risk prone                   |

The Answer:

**Diversify!!!**

70% Stocks

30% Bonds

A portfolio of 100% stocks dropped almost twice as much as a portfolio with a mix of stocks and bonds



## Investment Breakdown by Years of Age...

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- Investing Age:

- Early Investment Years
- Good Earnings Years
- High Income and Savings Years
- Retirement Years

- Types of Stock:



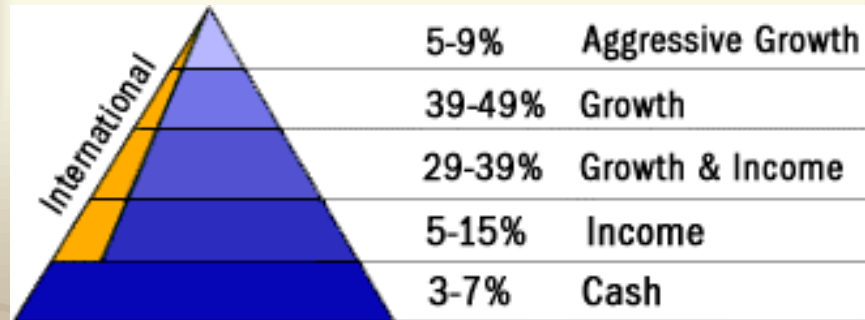
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Earnings  
Potential

Risk  
Potential

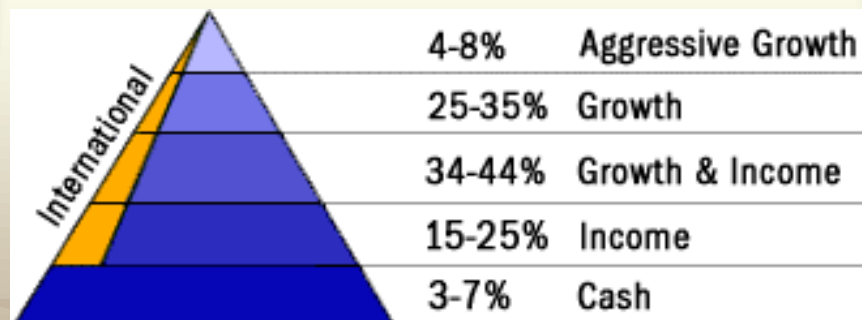
## Early Investing Years...

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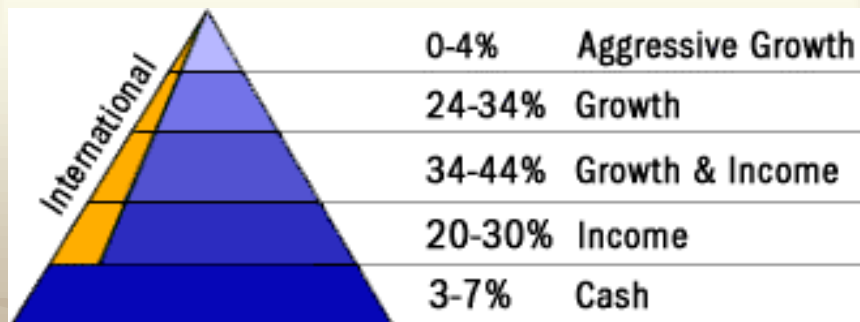
## The Good Earnings Years...

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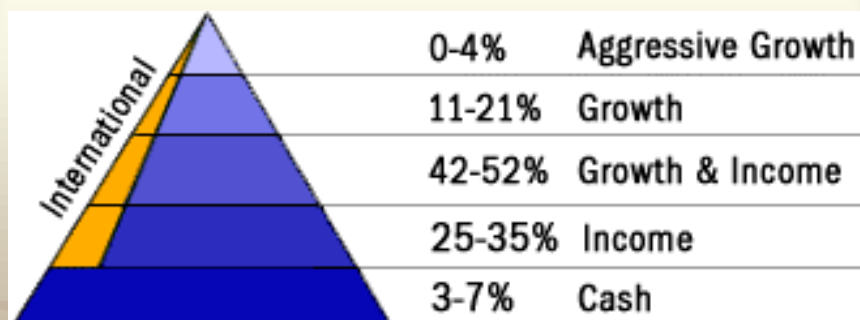
## High Income and Savings Years...

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## The Retirement Years...

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## Savings for Junior's College: *529 Plans to the Rescue...*

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- Why a 529?
  - Earnings are TAX-FREE
  - Setup is extremely SIMPLE
  - Contributions are state-tax deductible
  - Plans are PORTABLE (can move from state to state)
  - No set annual contribution or income limits
  - You, the investor controls the plan and the investment decisions

## Investing for Retirement...

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## Tax-Deferred / Tax-Exempt Retirement Plans...

- **401(k)**
- SEPs: Simplified Employee Pension Plans
- Keogh Plans
- **Traditional IRAs**
- **Roth IRAs**

## 401(k)

- Defined:
  - A company-sponsored retirement savings plan that allows for pre-tax salary deferrals in addition to optional profit-sharing and matching contributions by the employer
- Any money you put into a 401(k) is not taxed until you withdraw it
- In 2000, you could contribute up to 15% of your salary or \$10,500 to a 401(k) account

## Traditional IRA...

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- Defined:
  - A personal savings plan that offers tax advantages to set aside money for retirement
  - Traditional IRAs are tax-deferred retirement investment vehicles
- Individual must be under 70 1/2 years of age
- If you withdraw prior to age 59 1/2, you must pay a 10% penalty

## Roth IRA...

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- Defined:
  - An IRA that allows for tax-free withdrawals as long as the contributions remain in the account for five years, and the account holder meets one of the following criteria
  - I.E., you can only get the money if:
    - Age 59 1/2
    - You become disabled or die
    - The distribution is for a first-time homebuyer (up to \$10,000)
  - Cannot participate in Roth if your income is greater than \$95,000

## The Roth Nonconformists...

- **Federal law** passed last summer boosted allowable contributions to individual retirement accounts to \$3,000 (from \$2,000)
- It also raised limits for contributions to 401(k), 403(b) and 457 plans
- While most states conform to federal tax laws automatically, 21 states do not:
  - Alabama, Arizona, Arkansas, California, Georgia, Hawaii, Idaho, Indiana, Iowa, Kentucky, Maine, Massachusetts, Minnesota, Mississippi, **New Jersey**, North Carolina, Oregon, Pennsylvania, South Carolina, West Virginia, and Wisconsin

## Put It Into Perspective

- By failing to prepare, you are preparing to fail!
  - Do not overlook the power of compound interest!
    - \$2,000 yearly contribution to a Roth IRA equals only \$38.46 a week
      - Historical rate of growth for a Roth IRA is 10.6%
      - Continue to contribute \$2,000 per year at 10.6%
    - Will build to \$500,000 in 31 years
    - Will build to \$3.5 million in 45-50 years

# Roth Conversion?

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- You must weigh the options:
  - Tax implications are identical for 401(k) and Roth IRA
  - Roth is capped at \$3,000 per year after tax, 401(k) is capped at \$11,000 before tax
  - Rolling over to Roth may actually increase your transaction and management costs
  - Not all 401(k)'s are created equal while Roth IRA is generally uniform

## Roth IRA Calculator...

[www.moneycentral.com](http://www.moneycentral.com)

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The screenshot shows the 'Roth IRA Calculator' page on MoneyCentral.com. The page layout includes a sidebar on the left with links like 'Home', 'My Money', 'Investing', 'Earning', 'Retirement', 'Budgeting', 'Insurance', and 'College'. The main content area is titled 'Roth IRA Calculator' and contains a 'Start Here' section with a brief explanation of the calculator's purpose. Below this, there are input fields for 'Current age', 'Retirement age', 'Filing status', and 'Filing status'. A 'Next >' button is located at the bottom right of the form. The right sidebar features a 'Help' section with a question mark icon and a brief explanation of the calculator's purpose.



## Financial Planning Testimonial...

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Who am I???

## Anyone Can Do It!!!

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Why yes, I am  
worth \$62,000,000,000



# Questions?

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