



Money 101

Money Terms

Personal

Asset: something of value you own (car, boat, home)

Debt: a financial obligation to repay a loan

Net Worth: the current value of your assets minus your debts

Collateral: something of value (like a house or car) pledged by a borrower as security for a loan. If the borrower fails to make payments, the collateral may be taken to repay the loan.

Workforce

Labor Force: the amount of people (who are 16 or over) who are employed or looking for work

Revenue: the money a business receives from its customers for goods or services

Income tax: payment made by individuals and businesses to the federal, state, or city government based on earned income

Interest

Time Value of Money: the idea that a dollar received in the future has less value than a dollar received today, because today it can be saved to earn interest

Rate of return: interest earned from saving, shown as a percentage of what you have saved

Government

Budget Deficit: occurs when government spending is greater than its income in a given year

National Debt: the amount owed by the national government to those it has borrowed from

Recession: a decline in the rate of national economic activity

Inflation: a rise in the general prices of goods and services

Money Supply: currency in the hands of the public plus the public's deposits at banks

Understanding Your Pay and Benefits

When you begin in the workforce, it is important to understand your pay, benefits, and deductions. Your employer must deduct taxes from your check every pay period your earnings exceed \$7600 per year. These taxes include federal, state, and city income taxes. Your take home pay (or net pay) is what you receive after these deductions.

All workers pay into Social Security and Medicare. These programs are funded by FICA (Federal Insurance Contributions Act), which is a payroll tax. Other deductions like health insurance, dental, and contributions towards your retirement plan are optional.

If your employer offers a retirement program (like a 401K), this is a great opportunity to take advantage of. A certain percentage of what you contribute to your retirement savings account could be matched by the employer. This really adds up in the long run and gives you the most for your dollar when you retire.

The Federal Reserve

Before The Federal Reserve System was founded in 1913, the nation had many financial crises leading people to rush into banks and withdraw all their money. This drove some banks out of business. The Fed was initially created by an act of Congress to address these panics, but now it has many more responsibilities.

These include:

- Dealing with US monetary policies
- Acting as the central bank of the United States and providing services for regional banks

- Supervising banks and ensuring safe practices
- Protecting consumers in banking or lending transactions
- Transferring funds electronically across the country for banks and companies, making it easier for them to conduct their business
- Maintaining accounts for the US Treasury
- Processing postal money orders, savings bonds, and federal tax deposits
- Putting money into circulation and monitoring how much is currently circulating in the economy
- Measuring inflation or deflation
- Controlling interest rates

The Federal Reserve also seeks to provide price stability of goods and services for US consumers while also keeping the maximum amount of able workers employed. In short, the goal of the Federal Reserve is to create a healthy economy. The Federal Reserve is prepared for future crises if they may arise.

Learn and Earn

It pays to stay in school. How long you stay in school is one of the biggest factors in how much you will earn over your lifetime. High school graduates earn \$7000.00 more per year than those who don't finish high school. That equals \$200,000.00 after 40 years.

College scholarships give free money to students who maintain good grades and are active in their school and community programs like this one. Teens that choose to spend their time this way are more likely to save on college expenses and earn more over their lifetime. In short, diplomas equal dollars.

National Annual Median Salaries in 2013 (According to the Bureau of Labor Statistics)

| Degree Required | Occupation | Annual Median Salary |
|------------------------|------------------------------|-----------------------------|
| High School Diploma | Cook / Server | \$20,000 |
| 2 Year Degree | Medical Asst / Pharmacy Tech | \$30,000 |
| 2 Year Degree | Tool and Die Maker | \$49,000 |

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|-----------------|-----------------------------------|-----------|
| 4 Year Degree | Teacher | \$35,000 |
| 4 Year Degree | Human Resource Specialist | \$61,000 |
| Graduate Degree | Psychologist | \$74,000 |
| Graduate Degree | Nurse Practitioner | \$95,000 |
| Law Degree | Attorney | \$99,000 |
| Dental Degree | Dentist (General specializations) | \$170,000 |
| Medical Degree | Surgeon (General specializations) | \$191,000 |

Fun Facts about Millionaires (According to www.themint.org)

Only 19% of millionaires inherited their money.

4 out of 5 millionaires are college graduates.

Most millionaires own their own business.

Most millionaires work an average of 45 hours per week

You have a better chance of being struck by lightning (your chances are 1 in 9 million) than winning the Powerball (your chances are 1 in 17 million).

If you save \$3,000 per year with an 8% rate of return from age 21 to age 64; you will retire as a millionaire!