

Financial Fitness:  
Bust Your Budget Blues

PRACTICAL SKILLS FOR NEW PROSECUTORS  
NOVEMBER 2022

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Debt Crisis in the United States:

- ▶ 76% of Americans live paycheck to paycheck
- ▶ 64% cannot cover a \$1000 emergency
- ▶ The average American household wastes 24% of their take-home pay on consumer debt
- ▶ Americans devote less than 5% of their income to savings for retirement and emergencies
- ▶ Average American Consumer Debt:
  - ▶ \$220,380 in mortgage
  - ▶ \$38,000 in student loans
  - ▶ \$39,000 + in NEW car loans \*\*
  - ▶ \$9,000 in credit card debt

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Changing The Way You Think About Money:

- ▶ Personal finance is 80% behavior and 20% head knowledge/math
- ▶ There are only 2 things in life that you can control
  - ▶ How you plan for what you think will happen
  - ▶ How you react to what actually happens
- ▶ Don't talk about what to do with your money – talk about WHY
  - ▶ Look past the moment
- ▶ Use cash \*\* - you spend 55% more when you use plastic
- ▶ Dream big – but start small

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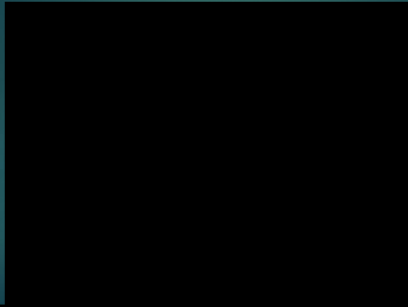
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# The Baby Steps – Dave Ramsey:



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# First Things First:

THE DREADED B-WORD ----- BUDGET

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Category	Sub-item	Budgeted	Total
CHARITY	Tithes	_____	TOTAL
SAVING	Emergency Fund	_____	TOTAL
	Other	_____	
HOUSING	First Mortgage/Rent	_____	TOTAL
	Second Mortgage	_____	
	Real Estate Taxes	_____	
	Repairs/Maint.	_____	
	Homeowner's/Renter Ins.	_____	
UTILITIES	Electricity	_____	TOTAL
	Gas	_____	
	Water	_____	
	Trash	_____	
	Phone/Mobile	_____	
	Internet	_____	
FOOD	Groceries	_____	TOTAL
CLOTHING	Adults	_____	TOTAL
	Children	_____	
TRANSPORTATION	Car Payment	_____	TOTAL
	Gas & Oil	_____	
	Repairs & Tires	_____	
	Auto Insurance	_____	
PERSONAL	Life Insurance	_____	TOTAL
	Health Insurance	_____	
	Disability Insurance	_____	
	Child Care/Sitter	_____	
	Entertainment	_____	
	Other	_____	

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## Take Baby Steps:

- ▶ Build a baby emergency fund of \$1000 – do not touch unless it is an emergency
- ▶ Pay off all debt (except your house) using the debt snowball



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## The Debt Snowball:

- ▶ List your debts smallest to largest:
  - ▶ Medical bill - \$ 3,500 (min \$200 – but able to squeeze \$400)
  - ▶ Visa - \$4,300 (min \$78)
  - ▶ America Express - \$7,000 (min \$102)
  - ▶ Car loan - \$13,780 (min \$350)
  - ▶ Student loan - \$28,500 (min \$250)



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## Take Baby Steps:

- ▶ Build a baby emergency fund of \$1000 – do not touch unless it is an emergency
- ▶ Pay off all debt (except you house) using the debt snowball
- ▶ Build a true emergency fund: 3 – 6 months of expenses – again, do not touch unless it is an emergency (not to be invested in the market)
- ▶ 15% of income into retirement
- ▶ Invest for kid's college fund
- ▶ Pay off your home early
- ▶ Build wealth and be incredibly generous



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## THE NC STATE PENSION:

Congratulations new ADAs – you are automatically enrolled in the NC State Pension plan. The State takes 6% of your salary off the top and invests it in your pension.

How valuable is this benefit?

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## Pension for an ADA retiring at 57 years old having served 30 years:

**Assumptions made:**

- ▶ For an average male ADA
- ▶ Actuarial table shows an expected life span of 24 additional years
- ▶ Pension will payout \$6833 per month - \$82,000 per year
- ▶ Total payout over remaining life span
  - ▶ \$1,967,904

**How much would you have to save to buy that annuity?**

- ▶ You would have to have \$1,265,000 to invest immediately upon retirement to generate \$6833/mo
- ▶ You would have to save \$1822/mo for 360 months at 4% interest to save that \$1,265,000 (that's \$21,872 per year)
- ▶ If you are making \$60,000 that equates to 36% of your income!
- ▶ Our pension is an amazing benefit!

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## Pay Off Student Loans as Quickly as Possible:

<p><b>Get on a Budget</b></p> <p>Give every single dollar that comes into your household an assignment – and then YOU make sure it accomplishes that assignment</p> <p>Consider using a budgeting app such as EveryDollar or MoneyTron</p>	<p><b>Make a Sacrifice</b></p> <p>Consider your lifestyle choices – not forever, just for now. Are there are areas you can cut? Something you can do without?</p> <p>How about selling some stuff that you really don't need anymore?</p> <p>Plan meal prep to avoid going out to lunch/dinner</p>	<p><b>Debt Snowball</b></p> <p>Add your student loan(s) into your debt snowball and when you get to them – attack them with a focused intensity</p>
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## Pay Off Student Loans as Quickly as Possible:

### Raises/ Tax Refund

Apply every extra dollar you get from a pay increase to your debt snowball – and then to your student loans

### Consider Side Gig

Do whatever you can do to earn extra money

### Refinance

But only if it makes sense

**ONLY for better payment terms and rates – DO NOT USE TO PROLONG THE DEBT**

And do not count on student loan forgiveness completely. It is getting better but is still not perfect.

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## MUST DO:

- ▶ Stop using credit cards – use cash and debit card
- ▶ Start with a budget every single month – give every dollar that comes into your household an assignment. Tell your money what to do so you don't wonder what it did!
  - ▶ [www.everydollar.com](http://www.everydollar.com)
- ▶ Get life insurance to protect your loved ones – the people who depend on your income. Buy term insurance – whole life is 15 – 20 times more expensive. Consider disability insurance as well.
- ▶ Make sure you have a will in place. Please tell your assets where you want them to go instead of the State determining who will get your property. This is especially important if you have minor children!

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## Financial Wellness Survey:

- ▶ Review of Mecklenburg County Staff statistics on the Financial Wellness Survey

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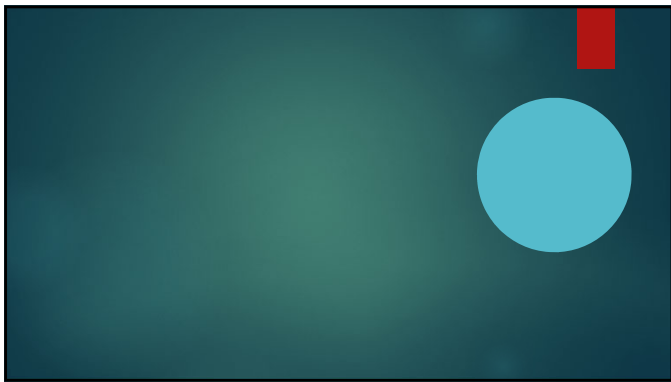
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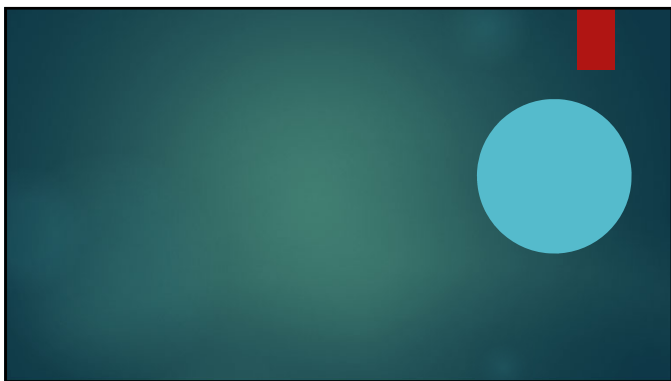
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