FINANCIAL LITERACY FOR IMMIGRANTS & REFUGEES

AN IMMIGRANT’S GUIDE TO PERSONAL FINANCE IN AMERICA
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70   GLOSSARY
Finances are central to much of American society. Your income you make, the taxes you pay to the government and even the money you spend at your local grocer, creates a financial web that connects each of us with one another in the United States. Everything costs money. Understanding how to manage your money and how you spend can greatly impact your life. Financial literacy doesn’t mean that you must be an expert on all things financial; it just means that you understand your income and how you spend your money. There is no magic wand to financial wellness, but there are some basic tools and recommendations every person can explore to improve their relationship with money.

Here are three basic tips that can get you started:

- **Budgeting**
- **Debt**
- **Taxes**

**Budgeting:**

According to the National Foundation for Credit Counseling, 66% of Americans do not have a working budget. Most people think that when you have a budget it means you that your life is going to be limited significantly! This is not the case! Setting a budget allows for you to make sure you have enough money to
do all the things you want to do, while making sure to cover your basic expenses (the things you have to pay for). Once you have a working
budget, you will learn how to develop better spending habits, and can take control of your monthly and long term expenses.

**Debt/Credit:**

Do you have some type of debt? You aren't alone! 87% of people living in the US are carrying some kind of debt. To many people, debt is simply a part of life, and you may need to take on a loan to pay for a lot of common needs in the US. For example, college, a home, a car, or even medical bills may result in a person taking on debt. That's okay, as long as you are diligent about paying on the debt you owe, and you don't take on more debt that you and your family can manage. Ultimately, every time you borrow money, you start to create a reputation that is associated with the likelihood that you will pay back your debts. In the United States, the best measure or indicator of how likely you are to pay back the debts you owe is a credit score. The higher your score, the better chance you have to save money when borrowing, and the better chance you have to receive a line of credit to borrow. A credit score is vital because it is basically a report card on how you utilize and pay your debt.

**Taxes:**

What are they? How do you pay them? Where do they go? When do I have to file them? The most common taxes you will file is income tax. Income tax is the tax you pay on the money you make. Most of the US Government revenue comes from income taxes. So, every time you make a little bit of money working a job, Uncle Sam wants his portion to help pay for the many public resources available in the US. Usually, your taxes will come out of your paycheck before you get paid, but in some cases you may have to pay additional money if you
didn't pay enough throughout the year. Most taxes are used to fund roads, schools, and other government funded entities. The UNM
Center for Financial Capability will help you file your taxes for free during tax season (February 1st - April 15th)!

If you want to learn more about any of these topics, or if after reviewing this packet of information, you have remaining questions, please know we are here to help you. The Center for Financial Capability (CFC) is a financial outreach and educational program administered through the UNM Dean of Students Office. The program is powered by the University of New Mexico and Nusenda Credit Union as partners in education. The CFC is a resource devoted to assisting the UNM community on their journey toward becoming financially successful, and we can help you! We want to help students and their families learn more about how to better manage their finances through skill-building, education, and financial relief. Visit cfc.unm.edu to learn more about our programs or to schedule an appointment.

We hope you benefit from the information in this packet. Please reach out to us if you need one-on-one support.

Sincerely,

Jacob Silva, Director, UNM Center for Financial Capability
Chapter 1

You have a job, you have worked, and now you are waiting for payday. While it varies how often we get paid, we all look forward to seeing the compensation for our hard work. There are different ways that your paycheck may arrive. You may receive a paper paycheck that is mailed to you, or you may be asked to pick it up. As the world becomes increasingly paperless, your employer may use Direct Deposit instead of paper checks. Whether you are paid with paper or through an online portal, your paycheck and pay stub hold all the information explaining why you’re being paid the amount you are.

KEY TERMS

1. Deductions: Money that is taken from your (the employee) gross pay. Common deductions are withheld taxes, benefits, and employee contributions. Deductions can be taken out pre-tax or post-tax.

2. Direct deposit: When you provide your banking account and routing number to your employer so that your paycheck is automatically deposited into your account.

3. Employee: That’s you!

4. Employer: The company, organization, or individual that/who pays you for your work.

5. Gross pay/gross wages: The amount of money you are owed before deductions: \( \text{pay rate \times pay period} = \text{gross pay} \).

6. Net pay: The amount of money you actually receive: \( \text{gross pay} - \text{taxes} \)
deductions = net pay.

7. **Paycheck:** The money the employer pays you for your work for a set amount of time.
8. **Pay stub**: An itemized explanation of your pay rate, hours worked, taxes, deductions, pay period, and the amount being paid to you. The pay stub is either physically attached to the check or is accessible through an online portal.

9. **Pay date**: The date which your check is available for depositing or when your paycheck may be directly deposited.

10. **Pay rate**: The rate you are paid (i.e. $8/hour).

11. **Pay period**: The range of dates you are being paid for.

12. **YTD**: An abbreviation for Year-To-Date, often used to represent the amount that has been earned or charged within a calendar year.

**EXAMPLE**

Amena Sabari and her family recently moved to Albuquerque from Afghanistan. Amena and her husband, Mohamad, both work full-time jobs, while their children, Roya, 12, and Raheem, 10, are in school. Amena got a job at the University of New Mexico as an accounting clerk in the purchasing department. She started the job at the beginning of 2020 and makes $20 an hour. Below is an example of what her first paycheck and pay stub would look like.
### Earnings Statement

<table>
<thead>
<tr>
<th>EMPLOYEE NAME</th>
<th>SSN</th>
<th>EMPLOYEE ID</th>
<th>CHECK NO.</th>
<th>PAY PERIOD</th>
<th>PAY DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>B Amena Sabari</td>
<td>XXX-XXXX-000</td>
<td>16023</td>
<td>0001</td>
<td>C 01/06/2020 - 1/19/2020</td>
<td>D 01/20/2019</td>
</tr>
</tbody>
</table>

#### Income

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Wages</td>
<td>1600.00</td>
</tr>
</tbody>
</table>

#### Deductions

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FICA MED TAX</td>
<td>23.20</td>
</tr>
<tr>
<td>FICA SS TAX</td>
<td>99.20</td>
</tr>
<tr>
<td>FEDERAL TAX</td>
<td>216.15</td>
</tr>
<tr>
<td>NM STATE TAX</td>
<td>78.40</td>
</tr>
</tbody>
</table>

#### Year-to-Date

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Year-to-Date Deductions</td>
<td>416.95</td>
</tr>
</tbody>
</table>

#### Questions

**Question:** What is the difference between Pre-Tax and Post-Tax deductions?

Pre-tax deductions are deductions that are applied to your income before you have been taxed. These deductions often include healthcare costs like insurance premiums and flexible spending accounts. Post-tax deductions are deductions...
that are applied to your income after you’ve been taxed. These deductions often include debts owed to the employer, such as uniform costs
and parking charges if you are required to purchase a parking permit from your employer.

**Question:** Do I need to save my pay stubs?

It is recommended that employees keep their pay stubs for at least one year. Pay stubs can be an easy source for income verification in the event of a loan application, apartment application, or salary negotiation. Your pay stubs also help you track your taxes and deductions. Some employers offer online pay stubs, which makes it easier to refer to them and means you don’t have to store paper pay stubs.

**Question:** Is there a benefit of paper checks vs direct deposit?

There is no difference in the amount of money you receive or the amount of taxes taken out between a direct deposited check and a paper check. The major difference is time. Physical checks have to be processed and printed, and then you either have to wait for it to be mailed or go pick it up, which may be inconvenient if you do not work the day the checks are available. You will also have to make your way to a bank to deposit the check.

Direct deposit means that, when your paycheck is processed by your company, the money will be automatically deposited in the account of your choice, and you only have to wait for your bank to process the deposit.

**Question:** What is the difference between a calendar year and a fiscal year?

Calendar years are the 12-month period between January 1st and December
31st. In some companies, the fiscal year is used, which can be any 12-month period used for payment and budgeting purposes. The fiscal year of the Federal Government runs from October 1st to September 30th.
Chapter 2

RECEIVING MONEY

HOW TO RESPONSIBLY MANAGE YOUR MONEY
Chapter 2

There are multiple ways to receive money. While working, we often receive money in the form of cash, a check, or through direct deposit. When we receive money from relatives, it's often ‘wired’ to us directly to our bank accounts. How does this work? What happens to your money after you deposit it into your bank account? How can you access your money? We will talk about multiple ways of accessing your money in your bank account.

Bank Accounts

There are two major account types: checking accounts and savings accounts. To open a bank account in the United States, you are required to have two things: (1) an identification number and (2) proof of identity and address via a valid, government-issued photo ID.

Don’t worry if you currently do not have a legal immigration status and/or are unable to have a social security number. You can also open bank accounts using an Individual Taxpayer Identification Number (ITIN) provided by the U.S. government’s tax agency, the Internal Revenue Service (IRS). Many undocumented immigrants pay taxes to the government in this way.

KEY TERMS

1. Checking account: A checking account is the one account that allows you to easily access your money, spend it, and withdraw it using a debit card.
Usually, these do not pay very much in interest. This is the account you use when you write checks.
2. **Debit card**: Banks or credit unions issue these when you open a checking account. This allows you to buy items without using cash.

3. **Check**: Checks are documents that are written, signed, and dated that direct your bank to pay a specific amount of money to another person or company.

4. **Maintenance fee**: Some banks charge fees to have accounts, usually between $5 and $20 per month. These fees apply particularly to checking accounts, but they can be waived if the account has a large enough balance.

5. **Overdraft fee**: A fee bank charges when you spend more than what you have in your checking account. The average overdraft fee is about $34 for banks.

6. **Savings account**: These are bank accounts that earn interest. When you create a savings account with a bank, you agree to let them hold onto your money — in return, you receive a small interest payment each month.

7. **ATM (Automated Teller Machine)**: ATMs are electronic banking outlets that you can find in many different locations. If you have a debit card, you can use these machines to take out money directly from your account. If the machine is not owned by your bank, you may be charged a fee (usually between $2 and $4) per transaction.

8. **PIN (Personal Identification Numbers)**: These are special four-digit codes (called a ‘PIN’ number) that allow you access and use your debit card to take out money and pay for things. Your PIN must be kept a secret (known only to you) so other people cannot have access to your money.
CHECKING ACCOUNTS

A checking account allows you to easily access your money, spend it, and withdraw it using a debit card. Debit cards are issued by banks or credit unions when you open a checking account. You can use the card to take cash from an ATM. When you open an account, you can ask for a checkbook from your bank/credit union, and you can write a check to people when you pay them. In the example below, you can see how a check should be written:

![Check Example]

It's important to remember that, for a check to be valid, it must be signed. The amount of money that you write a check for must be written out as well. This ensures the bank does not make a mistake when it issues payment. The number (at the top right corner) is unique for each check. The numbers on the bottom of the check include the routing number (the bank where your account is located) and the account number (the number of your checking account at the bank). When you receive a check, it takes two business days for a check deposit to 'clear', which enables you to use the money for other things.
When you have a checking account, the same account number and routing
number are used to set up a direct deposit account. These accounts (which we mentioned in Chapter 1) allow you to receive your paycheck directly into your checking account at the end of every pay period.

Checking accounts often have fees associated with them. Many banks charge between $10 and $25 for checkbooks, and some also charge ‘Maintenance fees’ each month. Overdraft fees occur when you spend more money than you currently have in your bank account. These can be expensive and should be avoided at all times. Keep a close record of your checking account balance to ensure that you do not accidentally withdraw more money than you have.

**EXAMPLES**

**Example 1**

Mike goes to an old local restaurant for dinner with his family. They have a sign
saying, 'CASH ONLY.' Mike doesn't carry cash always, but he has his
debit card from his bank. He finds an ATM, inserts his card, and enters his PIN number. After Mike enters his PIN, he withdraws $40 to pay for dinner.

Example 2

Mike received a check for $1,000 for selling his motorcycle. After signing the back of the check to make the deposit valid, he takes the check to his local bank. The bank gives him the following receipt:
The receipt confirms he deposited the check. The balance before depositing the check was $7,761.82; this is called the available balance. This is money that he can spend now. Since the check will take two business days to clear, he cannot use that money yet. His account balance is $8,761.82 because it includes the $1,000 deposit he just made. If Mike does not spend any more money, his available balance will also be $8,761.82 in two business days.

**Example 3**

Mike bought a new house, and he is planning to make a mortgage payment. One of the easiest ways to make the payment is to set up direct deposit with the company. He gives them his routing number and his checking account number. The bank will then automatically pay his mortgage provider every month on the same date.

**Example 4**

Mike opened a new checking account, and his accounts have both a maintenance fee and an overdraft fee. He pays $5 every month. His checking account has around $50, and he plans to buy new clothes using his debit card for $65. His payment goes through, but his checking account is now -$15 (negative $15). His bank charges him a $30 overdraft fee, making his checking account balance -$45 (negative $45).

**SAVINGS ACCOUNTS**

Savings accounts can be used to store money for many purposes. Unlike a checking account, you usually can’t access this with a debit card, although some
banks allow you to write checks that draw from your savings account directly.

Unlike checking accounts, savings accounts often limit how many
times you can have transactions. In return, depositors receive higher interest rates. *Interest* is a payment the bank makes to an individual account for allowing them to hold your money. It is expressed as an annual percentage of your total balance.

If a savings account promises a 1% annual interest rate, the bank promises to pay you 1% of your total deposit balance each year. If you have $10,000 in your savings account, this means you will receive an extra $100 each year as interest ($10,000 x 0.01 = $100). Savings accounts might have a minimum required balance and a monthly fee, particularly for small balances. Importantly, most banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC), which insures individual deposits up to $250,000. This means that, if the bank were to fail or close due to insolvency, your deposits would be protected and guaranteed by the US government.

**EXAMPLE**

Jon is planning to open a savings account. He looks at Bank A, which offers 1.5% interest, and Bank B, which offers 1%. Assuming Jon wants to get high interest, he will pick Bank A.

**RESOURCES**

NerdWallet — What Is a Checking Account?

[https://www.nerdwallet.com/blog/banking/what-is-a-checking-account/](https://www.nerdwallet.com/blog/banking/what-is-a-checking-account/)
The Balance — How to Write a Check

https://www.thebalance.com/how-to-write-a-check-4019395
Islamic Finance

Sharia-compliant finance follows the main principles of the Islamic financial system, which prohibits payment and the receipt of interest (riba). Islamic law does not recognize money as a store of value and commodity but only as a medium of exchange. In that form, returns (and debt securities) must be tied to an asset. Banks that provide Islamic Banking Services that operate in the United States include J.P. Morgan, Lariba – American Finance House, Guidance Residential, and Devon Bank.

Islamic law prohibits the following:

i. Paying or charging interest (riba)

ii. Investing in businesses involved in prohibited activities (trading pork or alcohol)

iii. Speculation (maisir)

iv. Uncertainty and risk (gharar)

There are multiple instruments that are aligned with Islamic law.

**Murabaha:** Add markup or cost plus sale. When an asset is financed with a bank, the bank pays the full price and adds the interest on top of the price of the asset. A customer (following Islamic law) can pay a predetermined lump sum amount or installments.

**Example:** When a customer would like to purchase a car from a dealer, a bank that provides Islamic financing will purchase the car and add the interest payment on top of the car’s selling price. If the value of the car is
$10,000 and the interest payment is $1,000, the customer will buy the car for $11,000 from the bank.
**Ijara:** More of a leasing contract, where a bank purchases an asset and lets the lessee lease it to a customer in exchange for a fixed payment. In the beginning, ownership will belong to the financiers; however, ownership may gradually transfer to the lessee.

**Example:** When a customer would like to purchase a house, the bank will buy the house and then will let the customer lease the property for a predetermined amount. At the end of the period, the customer will own the property.

**Mudaraba:** A trustee financing contract, where one party contributes capital and the other provides expertise. Profits are shared based on a predetermined ratio and investors are not guaranteed a return and bear any financial loss.

**Musharaka:** A form of equity participation where parties contribute capital and profits are shared on a predetermined ratio. Losses are shared based on the capital contributions. Partners control the investment and are liable for the actions of others.

**Sale Contracts:** Deferred-payment sale (bay’ mu’ajjal) and deferred-delivery sale (bay’salam). In a **deferred-payment sale**, delivery of the product is taken today, and payment is deferred until an agreed upon time. Assuming there is no extra charge for the delay, the payment can be made lump sum or in predetermined fix installments. In a **deferred-delivery sale**, payment is due today for a product that will be delivered in the future.
Chapter 3

SPENDING MONEY

HOW TO RESPONSIBLY BUDGET YOUR MONEY
Responsibly spending your money involves budgeting. What is budgeting? Budgeting is allocating your paycheck appropriately in order to pay for expenses. It is critical to ensure your bills are paid on time, as well saving for your future.

**KEY TERMS**

1. **Budget**: A plan for spending and saving money based on a person’s goals during a given period of time.

2. **Expenses**: Money a person spends.
   a. **Fixed expenses**: expenses that stay about the same every month, such as rent, insurance, or car loan payments
   b. **Variable expenses**: expenses that may not cost the same from month to month, such as groceries, gas, or credit card bills

3. **Income**: Money a person receives.

4. **Gross income**: An individual’s total pay before taxes or other deductions.

5. **Net (disposable) income**: An individual’s income after taking taxes and other deductions into account.

6. **Discretionary income**: The amount of an individual’s income that is left for spending, investing, or saving after paying taxes and paying for personal necessities (i.e., food, shelter, clothing, etc.). Usually spent on luxury items, vacations, and nonessential goods and services (i.e. Netflix, Xbox, etc.).

7. **Needs**: An individual’s basic requirements that must be fulfilled in order to survive (i.e., food, electricity, etc.).

8. **Wants**: Nonessential goods and services (i.e. luxury items, vacations, etc.).
9. **Savings**: Funds set aside to be used at a later date.

10. **Cost of living**: The average cost of a variety of expenses for living,
including rent/mortgage, insurance, utilities, food, etc.

**CREATING A BUDGET**

1) Start your budget by determining what your monthly net income is based off your previous pay stubs. If you are starting a new job soon, there are various tools available to determine a rough estimate (https://www.adp.com/resources/tools/calculators).

If your monthly net income is not consistent, determine your lowest potential monthly income. Taking a conservative route will allow you to budget for the worst-case scenario. Before you move on to step two, make sure that you take taxes into account. A lot of employers will automatically take taxes out of your paycheck if you choose that option; however, if you decide to opt out, you have to make sure to set aside the approximate amount owed.

2) List out your essential monthly expenses, or your needs. You can separate them between fixed and variable expenses (view Figure 3.1). Doing so may help you to organize your costs based on when they need to be paid. This includes:
   a. Mortgage or rent
   b. Insurance (home, health, etc.)
   c. Student loans
   d. Utilities (electricity, gas, water/sewer, internet)
   e. Food (groceries)
   f. Transportation
Note:
a. If your monthly mortgage/rent is more than 30% of your net income, you should consider moving somewhere cheaper or getting a roommate.

b. If your monthly transportation expense is more than 15% of your net income, you should consider alternative options (i.e., bus/bike), carpooling to work, or moving closer to work.

c. If your groceries cost more than $300 per adult, you should consider buying in bulk, buying store brands, and other frugal purchasing measures.

3) List out your savings goals, retirement plans, and emergency fund goals. A general rule of thumb when building an emergency fund is to set aside three to six months’ worth of expenses, but twelve months should be the ultimate goal. (Add up all of your expenses for one month and multiply that number by the number of months you decide is sufficient to save for.) The best place to hold your emergency fund is in an FDIC-insured savings account. This allows easy liquidation (withdrawal) while still earning interest.

Retirement plans should be considered after your debts are paid off and you have built a healthy emergency fund. Then, you should set aside some money for any future goals you have, such as buying a house, vacation, or future family.

4) Anything left over after you’ve completed steps one through three is considered discretionary funds. This can be used for wants, such as shopping, hobbies, or fast food.

Below is an example budget:
### September Income

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/1/2020</td>
<td>Biweekly paycheck</td>
<td>$800</td>
</tr>
<tr>
<td>9/15/2020</td>
<td>Biweekly paycheck</td>
<td>$800</td>
</tr>
</tbody>
</table>

**Total** $1,600

### Fixed Expenses

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/5/2020</td>
<td>Car payment and insurance due</td>
<td>$120</td>
</tr>
<tr>
<td>9/5/2020</td>
<td>Health insurance due</td>
<td>$50</td>
</tr>
<tr>
<td>9/10/2020</td>
<td>Cell phone bill due</td>
<td>$50</td>
</tr>
<tr>
<td>9/13/2020</td>
<td>Student loan payment</td>
<td>$50</td>
</tr>
<tr>
<td>9/13/2020</td>
<td>Credit card bill</td>
<td>$50</td>
</tr>
<tr>
<td>9/20/2020</td>
<td>Rent due</td>
<td>$400</td>
</tr>
<tr>
<td>9/20/2020</td>
<td>Utilities and water bill due</td>
<td>$80</td>
</tr>
</tbody>
</table>

**Total** $800

### Variable Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groceries ($40 x 4 weeks)</td>
<td>$200</td>
</tr>
<tr>
<td>Household items (soap, toilet paper, etc.)</td>
<td>$50</td>
</tr>
<tr>
<td>Gas</td>
<td>$40</td>
</tr>
</tbody>
</table>

**Total** $290

### Savings Accounts

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency savings</td>
<td>$110</td>
</tr>
<tr>
<td>Retirement fund</td>
<td>$160</td>
</tr>
<tr>
<td>Savings for your goals</td>
<td>$80</td>
</tr>
</tbody>
</table>

**Total** $350

**Total Fixed and Variable Expenses and Savings** $1,440

**Total Net (Discretionary) Income** $160
Let’s follow the steps in “Creating a Budget.” We will assume that the owner of the budget is named Linda.

1) Linda determines that her net income is $1,600 a month after taxes.
2) She has listed her expenses and even divided them up between fixed and variable expenses. This makes it easier for her to determine what expenses she has every month and which ones may not stay the same from month to month. She knows approximately how much she will need to spend, which is about $1,090 a month.
3) Linda needs to decide how much to save for emergency savings, retirement, and her future goals. She decides to allocate about 7%, 10%, and 5% of her net income for these purposes, respectfully. (These percentages are only meant to use for example purposes; they are not intended to be used as suggestions.)
4) She has allocated a total of $1,440 per month on expenses and savings. That means she has $160 left that month to do whatever she would like to do. She can go out to eat, shop, or go to the movies. It is important to reward herself for allocating her money correctly. Then, she will not feel too overwhelmed and can continue to do the same thing next month.

**QUESTIONS**

**Question:** How do I budget for gifts and special occasions?

You should use your discretionary income to budget for special occasions. That may mean saving some money from the previous month as well to ensure that
you can afford what you want, or it may mean that you have a little less that month to spend on yourself.
**Question:** What if I have trouble prioritizing and make a mistake?

That is exactly what a budget is for. If you do not meet your goals one month, simply start over the next. It may be difficult at first to get used to it, but as long as you keep trying, you can be successful.

**Question:** What about my spouse and/or family?

The same rules in this section apply, just with different parameters. If you have a spouse that you share income and expenses with, you should make a combined budget. Figure out the total income that both of you bring in and deduct the total amount of expenses and savings needed for that month to determine your discretionary income. If you have a family, there will be other expenses that you will have to account for. Potential things such as diapers, school supplies, and extra groceries should all be considered and included in your budget (typically under variable expenses).

**TOOLS**

If you have access to internet or a smartphone, utilize Mint (https://www.mint.com/). Mint is a free, web-based personal financial management service. Mint links up with most large financial institutions to help track your spending as well as other various facets of your finances.

If you do not have internet access, Excel ALS has various budgeting templates for your use that will help with the budgeting process.
Chapter 4

CREDIT

HOW TO RESPONSIBLY BORROW MONEY
Credit refers to the loaning of goods or money on the promise to be paid back at a later date. For consumers, the most common example of this is a credit card. In this situation, a credit card company agrees to lend you money on your credit card, and you agree to pay them back at a later date.

Almost any type of loan that you can think of is an example of credit: automobile financing, mortgage loans, and personal loans. The people who offer the money are called “creditors” or “lenders,” and the people receiving the money are referred to as “debtors” or “borrowers.” Your credit score is an extremely important factor that affects all of your daily life and can determine whether or not you can qualify to buy a house, car, or even rent an apartment. The credit score reflects an individual’s ability to pay down both short- and long-term debt. This number, which ranges from 300 to 850, reflects an individual’s credit history or creditworthiness. In this section, we will take a look at what factors constitute your credit score, how to maintain and improve it, and why it...
is important.
KEY TERMS

1. **FICO score**: A three-digit number that estimates your credit risk. It determines the interest rates that you will pay, as lenders use this to understand whether or not you are likely to repay your debts. Credit scores range from 300 to 850, with a higher score reflecting better credit.

2. **Interest rates**: The percentage of the loan that is charged to the borrower, typically expressed as a yearly rate. For example, 4% interest on $1,000 loan means you pay $40 to the lender in exchange for them giving you $1,000. However, many loans charge interest monthly (instead of 4% per year, this would equal 4/12 = 0.33% per month).

3. **Credit history**: A record of a borrower’s responsibility in repaying their debts. Includes key information like the number of accounts open, number of late payments, and the amount owed.

4. **Billing cycle**: The period between billings for your credit card. For example, your billing cycle may start on the 15th of each month and end on the 15th of the following month.

5. **VantageScore**: Similar to the FICO score, this is a three-digit number used to estimate your credit risk. VantageScore is a competitor to FICO and determines one’s credit risk with different methods. It also takes less time to establish a VantageScore, and some people that can’t get scored by FICO can still receive a VantageScore.

CREDIT

As we mentioned above, your credit score can influence a great deal of purchasing decisions you have to make. Typically, a credit score of 720 or higher
means you have an excellent credit score, and a score between 300 and 579 is poor. Imagine Ahmad is trying to buy his first home. He decides a 15-
year loan for $50,000 dollars would best suit his situation. However, the banks notice his credit score is a 560 because Ahmad has frequently made late payments and hasn’t had a credit card for a long time. Because of this the bank charges him a higher interest rate, and he ends up paying $20,000 more than if he had a credit score of 720!

**QUESTIONS**

**Question:** What is the most important factor when calculating my credit score?

FICO uses five factors when calculating your credit score:

a. Payment history (35%)

b. Amount of debt in relation to your credit limit (less is better) (30%)

c. Age of credit (15%)

d. Recent applications for credit (10%)

e. How many types of credit you have (Having different types of credit can help your score) (10%)

**Question:** Why is a good credit score important?

Maintaining a good credit score is important because lenders use this as an indicator to calculate interest rates when you are borrowing money, whether it is for a car, a house, or something else. Money lenders refer to credit scores at all times to make decisions, and good scores can help you save money in the long term by giving you access to better rates when you are borrowing money.

**Question:** How can I improve my credit score?
One of the most common occurrences that hurts your credit score is missed
payments. Make sure you set up automatic payments so your credit card company can automatically withdraw money from your savings account. Paying down your credit cards frequently also ties into this and will help. In addition, taking out and paying down loans along with credit cards will improve your score. Asking for a higher credit limit will improve your score and show that you are a responsible borrower. Lastly, don’t close down credit cards. It’s important to keep them open as this will lower your score.

**Question:** Where can I calculate my FICO credit score?

Several credit card companies offer your credit scores through their websites or mobile apps however, if yours does not, you can go to [https://www.myfico.com/fico-credit-score-estimator/estimator](https://www.myfico.com/fico-credit-score-estimator/estimator) to calculate your score.

**Question:** What is the best credit card for me?

You should do thorough research when selecting a credit card. Whether you want a credit card that’s best for travel, cashback, or rewards, make sure you choose the one that’s best for your current situation. The following link has a list of credit cards by categories [https://www.creditcards.com/best-credit-cards/](https://www.creditcards.com/best-credit-cards/).

**Question:** How can I find financing to buy a car?

To buy an automobile, you have two choices: you can pay for the price of the car in full, or you can receive financing (or request a ‘loan’ for the vehicle). If you
choose to finance the vehicle, you have the option of going to a bank and getting pre-approved for automotive financing. The bank will ask for your
social security number (or other identifying number), address, and other information. They will then analyze your credit and determine what loans you can qualify for. Alternatively, you can ask the dealership to finance your loan. The dealership will connect you with an automotive lender that it partners with, and they can usually make an immediate decision on automotive financing.

Typically, most car loans in the United States are for four to six years. Longer-term loans may lower your monthly payment, but you will end up paying the bank more in interest during the life of the loan. Shorter-term loans have higher payments, but you will pay less interest to the bank. Ideally, keep your loans as short as possible to avoid being burdened by a lot of long-term debt.

To receive financing, you’ll have to sign paperwork like the document above. In this simple example, you make a promise to repay the loan. The bank will hold the title (ownership certificate) to the car until you repay the loan. If you fail to repay the loan, the bank can take over ownership of your car, and your credit score will drop significantly. This will make it hard for you to obtain loans for a long time.
**Question:** How do I buy a house?

The greatest investment for many Americans is their house. Homes are most often financed through 30-year mortgages at a fixed interest rate. The process for getting a home is complex, but it can be easier if you use a trustworthy realtor to help you find, view, and locate your ideal home.

When you’ve decided to purchase a home, you should go to a lender to get pre-approved. You should determine how much of the purchase price you can pay now. This is called a down payment. While many lenders advise a 20% down payment on the price of the home, you can buy a house with 5% or less. Many financing options exist for first-time homebuyers. If you have a low credit score and a low down payment, consider loans provided by the Federal Housing Administration (FHA). FHA loans require a credit score of 500 and a 10% down payment. If your credit score is above 580, you can purchase a house with only a 3.5% down payment.

Once the lender approves you for a mortgage, you can feel confident to make an offer on the home you would like to buy. However, watch out for several things: first, fixed-rate loans are mostly better than variable-rate loans, also called ARMs (adjustable rate mortgages). Fixed-rate loans keep the interest you pay constant over the life of the loan. ARMs vary depending on the prevailing interest rates; if interest rates go up in several years, your payments will go up with them. It’s also important to stay away from interest-only mortgages, in which you pay only interest but not principal (the loan balance). If you paid a 30-year mortgage that was interest only, you would still owe the full balance of the loan at the end of the thirty-year period.
Chapter 5

RETIREMENT

HOW TO RESPONSIBLY SAVE YOUR MONEY
Chapter 5

What is retirement, and why do I need to save for it? Retirement is defined as one’s departure from employment or active work. Throughout this section, you will be introduced to several ways to save for retirement and different laws and regulations you should be aware of when you are saving. Most Americans aren’t prepared for retirement, and we are facing a crisis when it comes to managing our savings. In this section, we will cover what you need to know by establishing a substantial savings account in the form of a retirement plan. In addition, we will teach you how to save in the most tax efficient ways by making your money work for you!

KEY TERMS

1. **401(k)**: An employer-sponsored retirement plan.

2. **Contributions**: The money you put in your retirement savings account.

3. **Deferred**: When payments like taxes are put off until later.

4. **IRA**: Individual retirement account.
5. **Roth IRA**: This is a type of IRA that gives you your tax break later as
opposed to when you contribute to it. Ideal for younger people who are starting to save, as the income limit to have a Roth IRA is $122,000.

6. **Contribution**: A payment to a common fund or collection.

7. **Tax exempt**: The right to exclude income from taxation.

8. **Defined benefit plan**: Known as a traditional style of pension plans, where your employer controls the plan and its assets. Your employer will also guarantee a certain amount for your retirement no matter what happens.

9. **Defined contribution plan**: Modern style of pension plan, where you control the plan and its assets. The retirement benefits are dependent on how the assets perform, and the characteristics are very similar to a 401(k).

### 401(K)

A 401(k) plan is a retirement savings account that receives favorable tax treatment. Every year through your employer, you can elect to contribute a certain percentage of your income towards this plan. Additionally, your employer may 'match' your contribution up to a limit they decide. If you withdraw money from your 401(k) before the age of 59 ½, this money will be added back to taxable normal income along with an additional 10% penalty. Money used for your 401(k) should remain in your 401(k) until the age of 59 ½ unless you absolutely need it. When you retire, you are required to begin taking money out of your 401(k) by the time you are 70 ½.

There are two primary types of 401(k) plans:

**TRADITIONAL 401(K)**
Contributions to a traditional plan are tax deferred, meaning that you do not incur tax on the money you contribute now. Rather, you pay the income tax on
that contribution (and earnings) at the marginal tax rate you have at the time of retirement. To put it simply, you don’t pay any taxes now, but you are required to pay taxes when you withdraw at retirement.

**ROTH 401(K)**

Contribution to a Roth plan are taxed at your present marginal tax rate. And when you meet certain age and eligibility requirements and decide to withdraw, all earnings will be distributed tax free.

**WHICH 401(K) IS BEST FOR YOU?**

The best way to determine which route to take is based on your current income status. If you have a high income, you are better off choosing a traditional 401(k) so you are not taxed at your current marginal tax rate. If you are a low-earning taxpayer, then it is wiser to select a Roth 401(k), where you pay a low tax rate
now in exchange for never having to be taxed on that money again.
**401(K) EXAMPLE**

Jeff makes $36,000 a year and gets paid $3,000 a month. Jeff wants to take 4% of his paycheck each month and put that towards his 401(k). His employer offers a 4% match, so he wants to take advantage of this. So, Jeff takes $120 ($3,000*.04) and puts that in his 401(k) each month. Because his employer promised a 4% match, they also put $120 in his 401(k), leaving him with a contribution of $240 (120+120) each month. At the end of the year, Jeff looks at his tax returns and notices he has contributed $1,440 (12 months/year * $120) towards his 401(k). He is able to deduct these contributions from his total salary ($36,000 - $1440 = $34,560).

**INDIVIDUAL RETIREMENT ACCOUNT (IRA)**

Unlike 401(k) plans, IRAs are a type of retirement savings account that you establish on your own and are not employer-sponsored. Traditional IRAs have many of the same characteristics, as they are tax deferred and tax deductible. They also require that you begin taking withdrawals at the age of 70 ½ and have the same 10% withdrawal penalty imposed for early withdrawals before the age of 59 ½. Roth IRAs differ from traditional IRAs because they impose the tax later as opposed to now. So, unlike 401(k)s and traditional IRAs, they are NOT tax deferred.

**EXAMPLE**

Fernando is 28 and just got a raise at work. He contributes to a 401(k), but he wants to start saving more knowing that retirement savings are very important.
Fernando makes $80,000 a year, so he chooses to save in a Roth IRA. He starts by contributing 4% of his paycheck. This money will be taxed
once it goes in his Roth IRA; however, when he retires and withdraws the money, he will not be taxed. Since he already has a traditional 401(k) that is tax deferred, having both accounts helps him diversify his retirement savings.

PENSIONS

Pensions are defined benefit retirement savings plans, where employers maintain a plan for their employees. Pensions, once common in the United States before 1980, have been generally replaced by defined contribution plans over the last several decades. In defined benefit plans, the company or government providing the plan uses a specific formula to determine the annual cash payment to retirees. This formula incorporates years of service and highest average income in determining the pension entitlement. Pension income is tax deferred, meaning you pay taxes on pensions during retirement.

SOCIAL SECURITY
Social Security is a program the government established to get more Americans prepared for retirement and to protect them during old age.

Social
Security provides different benefits from disability income and survivor benefits. You must pay into Social Security for 10 years or more to receive benefits. The amount of 'quarters' you've paid in determines how much you will receive. You must wait until you are 62 to receive benefits. You must take out money by the time you are 70 or you will be penalized. The longer you wait the better!

QUESTIONS

**Question:** How much can I contribute to my 401(k) plan?

The annual contribution limit in 2019 is $19,000 (plus an additional $6,000 if you are 50 years of age or older. Check [www.irs.gov](http://www.irs.gov) to see the latest contribution limits.

**Question:** How should I invest within my 401(k)?

When choosing what types of investments you would like in your 401(k), it’s good to look at target funds for your date of retirement, as they are a popular choice among 401(k) owners. A target fund will have a combination of different stocks and bonds that you can choose, which will eventually become more conservative when you’re older. Make sure to do research before you choose what type of investments you would like in your 401(k).

**Question:** Should I contribute to a 401(k) plan if my employer doesn’t match?

If your goals are to save for retirement and your employer doesn’t match 401(k) contributions, it might be worthwhile to focus on an IRA instead. The limitations
of an IRA is a $6,000 annual contribution limit for those under 50
years of age. If you want to invest more than $6,000 per year towards your retirement, it is beneficial to contribute to a 401(k) regardless of employer match.

**Question:** What penalties do I incur if I withdraw from my 401(k) early?

If one of the following occur, you do not incur any penalties:

- You retire from the job
- You die or become disabled
- You reach the age of 59.5
- Your plan is terminated

If you do not fit any of the above criteria, you pay a penalty of 10% to the IRS for the amount of the withdrawal. Keep in mind that this 10% is in addition to any taxes that you owe on the funds.

**Question:** What are the qualifications for refugees to get a 401(k)?

Immigrants must get 40 U.S. work credits to qualify for Social Security unless they came from a country with a totalization agreement with the U.S. Totalization agreements prevent immigrants from double-dipping when they get benefits and keeps employers from paying taxes on earnings in two countries. If an immigrant comes from one of these countries, their work credits from that country can be used in the US. The US has totalization agreements with 26 countries:

- Australia
- Austria
- Belgium
- Canada
<table>
<thead>
<tr>
<th>Country</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>France</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Germany</td>
</tr>
<tr>
<td>Denmark</td>
<td>Greece</td>
</tr>
<tr>
<td>Finland</td>
<td>Hungary</td>
</tr>
</tbody>
</table>
Question: Is there a set amount an employee can contribute to their pensions?

No, it depends on the pension plan. Usually, these guidelines are set by the plan administrator.

Question: Are pensions tax exempt?

Money put into a pension is usually tax exempt until it is taken out of the account, and it is deducted from their gross income, reducing the amount of tax owed to the government come tax season.

Question: How much money can employees withdraw at a time?

When withdrawing funds, the owner of a pension can receive monthly payouts or a lump sum. If your pension is tied to a firm or a specific government entity, you are allowed to remove your contributions to the pension fund if you change jobs. However, you are not usually entitled to the employer’s contribution prior to retirement.

Question: What are the qualifications for an immigrant to qualify
for social security benefits?

- Be 61 years and 8 months old.
- Not be currently receiving other benefits.
• Not have applied for retirement benefits.
• Want your benefits to start no more than 4 months from processing an application.
• To apply via phone, call 1-800-772-1213 (TTY 1-800-325-0778) from 7 AM to 7 PM Monday through Friday.
• To apply online, go to https://www.ssa.gov/benefits/retirement/.
• In order to qualify for social security, an immigrant must have a total of 40 work credits in the US.
Chapter 6

INVESTMENTS

HOW TO RESPONSIBLY GROW YOUR MONEY
According to FINRA, roughly 6 in 10 households in the United States have security investments, mainly in retirement accounts. Investments can refer to any assets purchased today that you expect to increase in value in the future.

KEY TERMS

1. **Security**: A financial asset that holds value. For example: stocks, bonds, and commodities.

2. **Market index**: A collection of securities (such as stocks) that represent a fragment of the financial market. The three most popular stock indexes are the Dow Jones, S&P 500, and NASDAQ.

3. **Exchange-traded fund (ETF)**: An ETF is a fund that contains various securities that usually track an index.

4. **Mutual fund**: A mutual fund is comprised of money provided by numerous investors to invest in securities.

5. **Stock (shares, equity)**: A security issued by a corporation that represents partial ownership.

6. **Net asset value (NAV)**: The value of a mutual fund.
   
a. $\text{NAV} = (\text{assets} - \text{liabilities}) / \text{total number of outstanding shares}$

7. **Outstanding shares**: The total number of stocks held by shareholders for a particular company.

8. **Brokerage commission fees**: A monetary amount charged by a broker to execute a transaction on a security. Many brokerages nowadays are shifting to commission-free trades (e.g., TD Ameritrade, Vanguard, & Charles
Schwab). It is recommended that you research fees before selecting a broker.
EXCHANGE-TRADED FUND (ETF)

An ETF is a collection of securities usually representing an index that trades on an exchange. Like stocks, an ETF share price oscillates all day, and you can purchase and sell at any time. While a stock is a singular security, an ETF contains many stocks (hundreds or even thousands), thus diversifying your portfolio and decreasing risk and volatility.

Some of the most popular ETFs are SPY or VOO. Both track the S&P 500 Index, which contains 500 of the largest US publicly traded companies. Some ETFs only contain US holdings while others include both a mixture of US and international holdings; it all depends on how much you want to diversify. Lastly, ETFs generally offer relatively low expense ratios and many brokers (e.g., Vanguard, Schwab, TD Ameritrade) offer commission-free trades on ETFs.

MUTUAL FUND

A mutual fund is a collection of money provided by numerous people to invest in securities. They are generally run by licensed managers, who apportion the funds to said securities in order to gain a return. When researching mutual funds, you will be provided an overview that will state the overall objectives (such as the riskiness) along with which security types and industries the fund is being invested in by its manager.

The price of a mutual fund is known as the net asset value (NAV). NAV is calculated by dividing the total value of the fund’s securities by the number of
shares. Keep in mind that mutual funds can only be traded at the end of the
day, after market close when the NAV is calculated. Additionally, many mutual funds require minimum initial investments completely separate from the NAV. For example, a mutual fund might have a NAV of $100 but would still require a minimum investment of $1,000 — meaning that you are required to purchase a minimum of 10 shares.

**STOCK TRADING**

Stocks are issued by corporations in an attempt to raise capital to invest in the growth and operations of the business. If you purchase a stock, it represents partial ownership of the corporation’s assets and earnings; the ownership proportion is determined by the amount of shares a person owns relative to the number of outstanding shares that a company possesses. Stocks are purchased and sold on stock exchanges.

**QUESTIONS**

**Question:** What is the difference between an ETF and a Mutual Fund?

ETFs trade just like common stocks do and are usually exchanged between individual investors. Since ETFs can be traded at any point during the day at market pricing, they can reflect the current conditions much faster than a mutual fund, which you can only transact at the end of the day after market close. Another big difference is price: ETFs are generally cheaper than mutual funds due to the fact that mutual funds are more actively managed by the fund manager.
**Question:** What are the pros and cons of an ETF?

An ETF is an ideal choice for an investor seeking low risk due to the inherent
diversification of the fund. Additionally, an ETF gains you access to a variety of stocks across various industries and countries, again increasing your diversification and lowering your risk. ETFs also contain low expense ratios and minimal (if any) brokerage commissions due to the passive management.

For example, VOO is very popular Vanguard-run ETF that tracks the performance of the S&P 500 Index. VOO offers zero commission fees and a 0.03% expense ratio — one of the lowest ratios available for an ETF. Another benefit to an ETF is that it requires less work for the manager; as long as you are up to speed on the ETF’s overall objective (i.e., tracking the S&P 500 for long-term growth), it is much easier than worrying about individual stocks. A con associated with ETFs is that they have less liquidity than regular stocks, but this varies by ETF, and it is recommended that you research an ETF thoroughly before investing.

**Question:** What are the pros and cons of a mutual fund?

Similar to an ETF, the advantage of a mutual fund is that it has lower risk due to diversification of the fund across various industries and countries. Additionally, mutual funds provide you with a professional money manager, who can ideally make more educated decisions than a novice investor. Cons associated with mutual funds include higher expense ratios, commissions, and fees due to said professional management. In addition, if you are looking for a more hands-on control a mutual fund might not be your best bet since everyone purchases and sells at the same price due to NAV not being calculated until the trading day is complete.
Chapter 7

TAXES

HOW TO RESPONSIBLY REPORT YOUR MONEY
Chapter 7

axes are expenses designed to finance government, state, and local expenditures. Most income you earn in the United States is taxable, including from sources such as your job, investments, and the sale of real estate that is not your personal residence. Generally, the tax system in the United States is *progressive*: as a percentage of income, taxes are higher for high-income residents than for low-income residents.

KEY TERMS

1. **Tax**: these are the fees charged to you by the government to earn revenue. They are usually used to pay for government activities. Taxes have many different forms.

2. **Income taxes**: these are taxes on the money that you earn. The US government taxes your income, and so do most states. You have to pay both.

3. **Sales taxes**: these are taxes on things you buy. Most states have sales taxes,
which are similar to VATs (value-added taxes) in other countries.
4. **Property taxes:** when you own property, you pay a ‘tax’ to the city you live in.

5. **Corporate taxes:** when you start a company, the company also pays a tax to the government.

6. **Capital gains taxes:** when you put your money in stocks, bonds, and real estate (other than your home), you pay taxes on the money that you make on these assets.

**INCOME TAXES**

When filing taxes, you can file as an Individual if you are filing alone or Jointly if you are married. Married people can also file Individual taxes, but both people need to file separately. To figure out how much you’re going to pay, you can use this table. The first table (7-1) is for Individual payers like Fernando; the second table (7-2) is for families.

**Table 7-1: Tax Brackets and Rates for Federal Individual Filers, 2019**

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Payment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $9,700</td>
<td>10% of Taxable Income</td>
</tr>
<tr>
<td>$9,700 — $39,475</td>
<td>$970 + 12% of the amount over $9,700</td>
</tr>
<tr>
<td>$39,476 — $84,200</td>
<td>$4,543 + 22% of the amount over $39,475</td>
</tr>
<tr>
<td>$84,201 — $160,725</td>
<td>$14,382.50 + 24% of the amount over $84,200</td>
</tr>
<tr>
<td>$160,726 — $204,100</td>
<td>$32,748.50 + 32% of the amount over $160,725</td>
</tr>
<tr>
<td>$204,101 — $510,300</td>
<td>$46,628.50 + 35% of the amount over $204,100</td>
</tr>
<tr>
<td>$510,301 +</td>
<td>$153,798.50 + 37% of the amount over $510,300</td>
</tr>
</tbody>
</table>
**CALCULATING YOUR TAX BILL**

Fernando earned $35,000 last year. How much income tax will he pay? Where does he get this information? We know Fernando is filing his taxes as an Individual and made $35,000 last year.

According to the table above, we know Fernando made between $9,700 and $39,475. He has to pay $970 + 12% of the amount over $9,700. How much did he make over $9,700?

\[
\text{Amount over }$9,700 = \text{Total Income} - \text{Base Income} = $35,000 - $9,700 = $25,300
\]

What is the 12% of $25,300?

\[
0.12 \times $25,300 = \textbf{$3,036}
\]

Fernando will pay $970 + $3,036 or $\textbf{4,006} in federal taxes this year.

Fernando also needs to know how to pay state taxes. In New Mexico, the
state tax rate follows a similar schedule:
### Table 7-3: Tax Brackets and Rates for New Mexico Individual Filers, 2019

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Payment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $5,499</td>
<td>1.7% of Taxable Income</td>
</tr>
<tr>
<td>$5,500 — $10,999</td>
<td>$93.50 + 3.2% of the amount over $5,500</td>
</tr>
<tr>
<td>$11,000 — $15,999</td>
<td>$269.50 + 4.7% of the amount over $11,000</td>
</tr>
<tr>
<td>$16,000 +</td>
<td>$504.50 + 4.9% of the amount over $16,000</td>
</tr>
</tbody>
</table>

### Table 7-4: Tax Brackets and Rates for New Mexico Individual Filers, 2019

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Payment Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $5,499</td>
<td>1.7% of Taxable Income</td>
</tr>
<tr>
<td>$5,500 — $10,999</td>
<td>$93.50 + 3.2% of the amount over $5,500</td>
</tr>
<tr>
<td>$11,000 — $15,999</td>
<td>$269.50 + 4.7% of the amount over $11,000</td>
</tr>
<tr>
<td>$16,000 +</td>
<td>$504.50 + 4.9% of the amount over $16,000</td>
</tr>
</tbody>
</table>
QUESTIONS

Question: What are taxes used for?

Taxes are used to fund public programs and projects that benefit society at large. This includes areas such as education, research, infrastructure, welfare, and national defense.

RESOURCES

Federal Tax Information: https://www.irs.gov/

NM Tax Information: http://www.tax.newmexico.gov/

PAYING INCOME TAXES

On the next page, you’re going to see an example of an actual tax form, the IRS 1040. This is the most common tax form people file.

QUESTIONS

Question: When are taxes due?

Taxes are due to the government by April 15th every year for taxes paid on income earned the previous calendar year.

Question: This is hard! Are there services where I can submit my taxes online?

The IRS has options for online tax filing for free. Check out this website:
RESOURCES

Volunteer Income Tax Assistance (VITA): This is a free tax service for people earning less than $56,000 with limited English speaking skills. Link below.

IRS Form 1040: The personal tax form most commonly filed for US residents. Below is a link to more information on this form and a sample of the 2019 version.
Form 1040 (2019) Page 1
| 12a | Tax (see instructions). Check if any from Form(s) 1, 2, 3, or 4. | a | 12a | 0.00 |
| 12b | Add Schedule 2, line 3, and line 12a and enter the total. | b | 12b | 0.00 |
| 13a | Child tax credit or credit for other dependents. | c | 13a | 0.00 |
| 13b | Add Schedule 3, line 7, and line 13a and enter the total. | d | 13b | 0.00 |
| 14 | Subtract line 13b from line 12b. If zero or less, enter 0. | e | 14 | 0.00 |
| 15 | Other taxes, including self-employment tax, from Schedule 2, line 19. | f | 15 | 0.00 |
| 16 | Add lines 14 and 15. This is your total tax. | g | 16 | 0.00 |
| 17 | Federal income tax withheld from Forms W-2 and 1099. | h | 17 | 0.00 |
| 18 | Other payments and refundable credits. | i | 18 | 0.00 |
| 18a | Earned income credit (EIC) | j | 18a | 0.00 |
| 18b | Additional child tax credit. Attach Schedule 3A. | k | 18b | 0.00 |
| 18c | American opportunity credit from Form 8863, line 8. | l | 18c | 0.00 |
| 18d | Subtract Schedule 3, line 14, from line 18c. | m | 18d | 0.00 |
| 18e | Add lines 18a through 18d. These are your total other payments and refundable credits. | n | 18e | 0.00 |
| 19 | Add lines 17 and 18e. These are your total payments. | o | 19 | 0.00 |
| 20 | If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you owe. | p | 20 | 0.00 |
| 21a | Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions. | q | 21a | 0.00 |
| 21b | Estimated tax penalty (see instructions). | r | 21b | 0.00 |
| 22 | Amount of line 20, you want applied to your 2020 estimated tax. | s | 22 | 0.00 |
| 23 | Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions. | t | 23 | 0.00 |
| 24 | Estimated tax penalty (see instructions). | u | 24 | 0.00 |

### Third Party Designee

Read instructions. Fill in below if someone else is paying your debt for you.

- **Designee’s name**: 
- **Phone**: 
- **Personal identification number (PIN)**

### Sign Here

- **Your signature**: 
- **Date**: 
- **Your occupation**: 
- **If the IRS sent you an Identity Protection PIN, enter it here**: 

### Joint return? See instructions. Keep a copy for your records.

- **Spouse’s signature**: 
- **Date**: 
- **Spouse’s occupation**: 
- **If the IRS sent your spouse an Identity Protection PIN, enter it here**: 

### Paid Preparer Use Only

- **Preparer’s name**: 
- **Preparer’s signature**: 
- **Date**: 
- **PTIN**: 
- **Check it**: 
  - 3rd Party Designee
  - Self-employed

Go to irs.gov/Form1040 for instructions and the latest information.
Chapter 8

PROTECTION

HOW TO RESPONSIBLY SAFEGUARD YOUR MONEY
Chapter 8

This chapter will inform you about common practices aimed at taking advantage of you and your money, as well as effective strategies to protect yourself. Other important topics discussed are the most effective and safe ways to send money to others abroad and your rights as a consumer in the United States.

Remittance

KEY TERMS

1. Remittance: The act of sending/transferring money another person or account — often to a foreign country, but it can also refer to other payments, such as those needed for internet or cable.

2. Remittance float: The amount of time it takes the money to transfer from one person to another once the order is made.

3. Gift tax: The IRS defines a gift tax as “A tax on the transfer of property by one individual to another while receiving nothing, or less than full value in return.”

The most common way to send money to another country is by electronic wire transfer. There are many services that allow you to perform remittances; WorldRemit, Western Union, TransferWise, and Wave are popular services. Payment may vary; you could pay in person with a credit card, cash, or check or through an online transfer through Paypal or the website and mobile app of the company you are working with. Be aware of the method you choose,
because different fees are attached based on how you choose to pay. Fees, based on processing and currency exchange costs, can range anywhere from
3% — 13% (transferwise.com). If you are not sure whether you could pay by your preferred method or about the fees involved, you should simply contact the company.

It is important to recognize certain limits as well. The bank or company that you decide to use may establish their own limits (e.g., $3,000), or they may have no limit at all. However, as of 2019, if you send more than $15,000, you must fill out Tax Form 709 to let the IRS know that you have paid a “gift” that is greater than the $15,000 tax-exempted amount. However, you typically will not actually owe any tax because of the “lifetime exemption” rule that allows one person to gift $11.4 million in their lifetime before being taxed. If you receive a 'gift' from abroad, you should not have to pay or report any taxes.

**EXAMPLE**

John lives in Albuquerque, NM, and wishes to send money to his Aunt living in Germany. He wants to use Western Union and their online function. Since he has a US bank account, he chooses to send money directly using the money from his account for the lowest transfer fee ($0.99). His first action is to create an account with Western Union using his email and street address. Then he must confirm using a secure code provided by email. After creating an account, John must enter the information for his aunt, including her address and bank information. Western Union requires a routing and checking number (refer to Chapter 2). His next step is linking his bank account with his Western Union account, which requires knowing his routing and checking numbers. Finally, he can select the amount he would like to send.
QUESTIONS

**Question:** What if my relative doesn’t have a bank account or I don’t know their banking information?

Most remittance services also allow you to send money to a physical location. But, be aware there are more fees involved.

**Question:** What if I haven’t set up a bank account yet?

You can use cash at a physical location, such as a Western Union branch. Again, more fees may be added.

**Question:** Do I need to provide any documentation when sending money?

Yes, typically you will need to fill out a Remittance Application Form, and you may need to provide a government-issued photo ID, a social security number, or proof of address (e.g., a utility bill with your name on it). For a comprehensive list of what you will need to bring, you should contact the business you choose
to use to send money.
Protecting Yourself Against Predatory Lending

KEY TERMS

1. **Predatory lending**: Targeting specific populations to lend money at extraordinary rates or with unnecessary fees.

As a consumer, there are preemptive actions you can take to ensure you are getting a fair offer. The first is to make sure you understand exactly what is being offered and what is expected in return (ex. make sure to know what the total amount you will be paying is) and ask questions if you don’t understand something. Once a contract is presented, make sure to read it thoroughly and that it matches what was verbally discussed. If it is too difficult to read, ask someone you trust to explain it to you. Do not sign anything that you do not fully understand. If a lender is being aggressive about agreeing to something, there is a good chance they are trying to get you to agree to something not in your favor. Take your time and look around for other offers as this will help you find the lowest rates and fees and allow you to reach out to friends and family for advice.

You should also be aware of deals that seem “too good” to be true. For example, if you see that other organizations are offering you about the same rate of 5% to take out a loan on a car, but another business offers you 1%, they may have hidden fees or risks that they are not communicating with you. Make sure that you work only with reputable lenders and ask those you trust if you are unsure.
about something.
EXAMPLE

Jill is looking to take out a loan in order to buy a car. She visits a local lender and sits down with one of the employees who begins talking loud and fast using lots of terms she hasn’t heard before. She is nodding her head politely, but the employee takes this as a sign of consent and starts filling out paperwork. She politely declines and begins to leave, but then the employee starts to get aggressive. He loudly tells her that this is the best deal she will be offered and if she leaves now she will regret it. What should Jill do?

QUESTIONS

Question: In what ways can I be affected by predatory lending?

You can refer to https://www.debt.org/credit/predatory-lending/ for more definitions and examples of predatory lending.

Question: Are there any other ways I can avoid predatory lending?

Refer to https://www.state.nj.us/dobi/division_consumers/finance/predatory.html for a more comprehensive list of how to avoid predatory lending.

Question: To what extent can this affect me?

If you are not fully aware of the stipulations of the contract, you may agree to something that you cannot actually afford. This can result in the loss of the asset you bought with the loan (including your house), a cycle of debt that you would
not be able to easily get out of, or a lower credit score.
Keeping your Bank Account Safe

KEY TERMS

1. **ATM (Automated Teller Machine):** Those with an account can use this machine for simple and quick transactions, such as depositing and withdrawing.

2. **ATM card skimming:** A high-tech machine that is placed inside the ATM that scans your card and records the data when you insert it into the machine.

3. **Cash trapping:** A thief may place a machine that gives out fake cash and keep the actual cash that you withdrew from the machine.

When using a debit card, there are several tips to help keep you and your money safe. First, keep track of your debit card and always have it on you or in a safe and secure place. Second, make sure you use a random 4-digit set for your PIN number and don’t reveal it to anyone (not even a best friend). You can write it down in a secure place if you are having trouble remembering it. You should also be aware of the transactions in your bank account (this will help you find fraudulent transactions quickly). Constantly check your transactions history. Most banks will provide e-statements that you can get online, or you can go in and ask for a bank statement to check your history. Most banks have personal apps that you may use as well. Also, be sure to check your credit regularly (about once a year).

Make sure that when you are making deposits or withdrawals from ATM accounts you always cover all of the PIN numbers while you input your own PIN.
number. Thieves can place cameras to steal your card number. They may
also trap your card in the machine so you cannot take it out. If that occurs, contact your bank immediately and cancel your card. You can always get a new one. You may also come upon a cash trap, and in that case, there should be a phone number on the ATM that you can call if you notice there is something wrong. As you are using the ATM, make sure to be aware of anything suspicious. If you do not feel right about using that machine, try to go to another. Look for any tampering, anything that does not look like it is supposed to be a part of the ATM, or anyone that is loitering nearby. Thieves can use force or weapons to rob you right after you take out money.

**QUESTIONS**

**Question:** What happens if I notice a transaction from my account I don’t recognize?

Report it to your bank immediately. This will ensure that no more charges are made to your account (be aware that this also means you can no longer use the same debit card) and help you get your money back sooner.

**Question:** Should I give out my information over the phone or email if it is a great offer?

You should never give out your information through phone or email unless you have already met in person and can confirm they are the ones contacting you. This is a common predatory practice.

**Question:** What do I do if my credit card is stolen?

This link is a good guide to use the case that your card is stolen:
RESOURCES

Lending: ftc.gov

Data Breaches/Identity Theft: idtheft.gov

Scams: bbb.org


Keeping your Bank Account Safe
KEY TERMS

1. **Tax identity theft:** Someone uses your Social Security number to falsely file tax returns with the IRS or your state.

2. **Medical identity theft:** Someone steals your Medicare ID or health insurance member number. Thieves use this information to get medical services or send fake bills to your health insurer.

3. **Social identity theft:** Someone uses your name and photos to create a fake account on social media.

4. **Cyber security:** A preventative system to protect valuable information from being compromised.

5. **Cyber attack:** An act intended to compromise sensitive information or change internal systems without authorization of the owner.

6. **Cyber threat:** A potential cyber-attack that has not occurred yet.

7. **Malware:** Software used in a cyber-attack.

There are three different ways thieves can steal your information/identity: tax, medical, and social identity theft. Preventative measures can be taken to avoid these attacks, such as keeping your information secure, cutting up old cards, and collecting your mail daily. Cyber security is also crucial to protect your information: Make sure to use different passwords for any of your logins instead of a variation of just one, do not open any emails from anyone you do not know, and install virus-detection software. You cannot only rely on software to protect you from thieves; rather you must make good choices when navigating online resources. Do not click on any links that seem suspicious. Make sure that pop-up blockers are installed on your computer. Do not save any of your passwords
to your computer. Use secured Wi-Fi.
However, identity or information theft can happen to anyone, regardless of how careful they might be. You must be aware of transactions made in your account, irregular bills, and review your credit reports. If you fall victim to any threatening activity, there are many steps that you can take. This website, https://www.usa.gov/identity-theft, provides a comprehensive list that shows you how you can protect yourself. The Department of Homeland Security also has a platform that you can use to report phishing or any other cyber incidents through a US-CERT Incident Reporting System (https://www.dhs.gov/how-do-i/report-cyber-incidents).
QUESTIONS

Question: What if my credit reports are affected?

The Fair Credit Reporting Act allows for corrections to credit reports. Go to https://www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports for the steps needed to request an investigation.

Question: Can minors be victims of identity theft?

Yes, the same way that your information can be stolen and used, your child’s information can be compromised. Go to https://identity.utexas.edu/everyone/identity-theft-and-management-faq to see how you can prevent and detect these threats.

Question: Where can I find more information on cyber security?

You can go to https://cybersecurityforum.com/cybersecurity-faq/ to learn more. There are many preventative steps you may take that are tailored to your specific needs.

Scams

KEY TERMS

1. Scam: When a person tries to take money or important info from you by pretending to be another person.

2. Accredited representative: A person that the US government allows to help immigrants with their immigration needs.

3. Recognized organization: A group of people that the US government
allows to help immigrants because they know they will safely do so.
4. **Lawyer**: A person who helps people with the law. Lawyers must be allowed to work in the law with the permission of a bar association.

5. **Notary public**: A person allowed by the government to witness people sign papers. Notaries in Europe and Latin America can often represent people to their government, but notaries in the US cannot do this.

6. **Bar association**: A professional group that allows people to be lawyers.

7. **Phishing**: A scam that happens over email. People make these emails look like real emails from a real bank or agency. They lead you to a link or website that also looks real. They then try to get you to enter your user name and password for them to record and access your money.

8. **IRS (Internal Revenue Service)**: The US government agency that collects taxes.

9. **EOIR (Executive Office for Immigration Review)**: The US government agency that decides immigration cases.

10. **USCIS**: United States Citizenship and Immigration Service

One of the best ways to protect your money is to look out for scams. Scams happen when people pretend to be someone they’re not and try to get money or other info from you.

**HOW A SCAM HAPPENS**

Some of the most common scams today involve a person pretending to work for the government. They often ask you for money. They could pretend to be someone from the IRS or Social Security Administration (SSA), a police officer, a person working at a bank, an immigration agent, or even a family member.
There are many different types of scams, but they often work the same
way. Let’s look at an example:

Joe gets a call. The person calling him says he is with the IRS. He tells Joe that Joe is late on paying his taxes. This person then tells Joe to pay him right now and threatens to arrest him if Joe does not pay right then and there.

As we can see, this person calling Joe pretended to work for the government. Typically, these scams are over the phone. But, scams can happen in many different ways:

• On social media like Facebook.
• Through an email that looks like it’s from your bank or a real government agency (“phishing”).
• Even door to door, where people say they’re giving out things like cell phones if you give them a bank account or social security number.

Note: there are reports of scammers saying they work for the USCIS threatening people like this. If you feel like someone is trying to scam you about immigration, report it to https://www.uscis.gov/avoid-scams/report-scams.

US Federal groups, including the IRS, SSA, and USCIS, will never ask you to pay them money over the phone, nor will they call you by surprise or threaten to arrest you. Banks will not threaten you either. NEVER give anyone any personal information like your bank account number or immigration status over the phone, in an email, on a social media message, or through a text.
If someone who says they work for or represent the US federal government asks you to transfer money through a bank to a person or tells you to pay
them with a money order (Western Union, MoneyGram), PayPal, or gift cards, this is definitely a scam. Federal agencies like USCIS do not ask for money in these ways. They have lots of information on how you can pay them on their websites, like this page from USCIS: https://www.uscis.gov/fees

PHISHING

Phishing is a scam that happens over email. People make these emails look like official emails from a real bank or agency. They lead you to a link or website that also looks real. They try to get you to enter your user name and password for them to record and access your money. Here is an example of phishing:

Susan just got an email that looks like it’s from her bank. It says that the bank thinks they’ve found unusual spending on her account. She needs to log in and make sure that it’s okay. This email, however, is from a scammer. If Susan logs in, the scammer can get her username and password to her actual online bank profile.

If you click on a link that looks real, always check the URL (web address) above the webpage. You will very quickly find out if this website is official or something pretending to be official in order to scam you.

MORE SCAM TIPS

• Don’t fill out a form if you can’t understand it.
• Don’t sign forms unless all the information in them is true.
Don’t give important documents, like your green card, passport, or birth certificate, to anyone. They could steal them and make you pay money to
get them back.

- Make copies of every form you fill out, and hold on to every letter from the government.
- Make sure you get a receipt when you turn in any immigration paperwork. Don’t give these out either.
- Blank government forms are free. People charging you for them are scamming you.
- Even people trying to help you, like friends, could still hurt you because they can’t give out legal advice.

QUESTIONS

**Question:** Who can help me with my immigration needs?

Only a lawyer or an accredited representative (a person allowed to help someone) working for an organization recognized by the US Department of Justice (DOJ) Executive Office for Immigration Review (EOIR) can give you legal advice on your immigration status.

**Question:** How do I check if someone helping me is real?

Each state has an official group that allows people to work as lawyers. This is called a bar association. There is also the American Bar Association (ABA), which oversees people working in law across the United States. Bar associations have lists of lawyers to check whether a local lawyer has a license and is in good standing. The ABA has links to each state’s local bar association online:

https://www.americanbar.org/groups/legal_services/flh-home/flh-lawyer-
licensing/
The EOIR has lists of both people who are allowed to help immigrants (accredited representatives) and groups that they know can help immigrants well (recognized organizations):

https://www.justice.gov/eoir/recognition-accreditation-roster-reports

**Question:** I can’t afford a lawyer. What should I do?

There are actually many lawyers who can help you with your immigration for free or less money. Take a look at this list from the US Department of Justice:

https://www.justice.gov/eoir/list-pro-bono-legal-service-providers

**Question:** What do 'notarios' do in the United States?

USCIS and the ABA warn people about 'notarios' working in the United States. In many Latin American and European countries, notarios, or notaries public, are lawyers who can represent people in government matters. This is not the case in the United States. Notaries public in the United States witness signing documents and make sure they’re real, but do not legally represent people in cases or court.

**Question:** Someone told me that I could get a job working for them if I paid them. Is this a real job?

You should never have to pay money up front to be offered a job. Anyone requesting money in exchange for work is almost certainly scamming you.
Immigrants are not allowed to work in the United States unless they have a work permit, work visa, or a permanent resident card (also known as a 'green
card’). You must have one of these documents to legally work in the United States.

**Question:** A person told me that I can get a visa/work permit/green card faster if I pay them. Is this true?

No. Never pay someone who says they can do so.

**Question:** I just got a call/email/social media message that sounds like a scam. I’m not sure if it is. What should I do?

If you are not sure if someone is trying to scam you, visit your bank or government office in person. Also, talk to your case manager at your resettlement agency right away. They can both help you figure things out and report scams to the Federal Trade Commission.

**RESOURCES**

**Phishing Scams:**

https://www.consumer.ftc.gov/articles/how-recognize-and-avoid-phishing-scams

**Identity Theft:**

https://www.identitytheft.gov/

**Common Scams:**

https://www.uscis.gov/avoid-scams/common-scams

**Fotonovelas — resources on scams in the Latino community:**
https://www.consumer.ftc.gov/features/feature-0031-fotonovelas
GLOSSARY

TERMS TO KNOW WHEN USING THIS BOOK
Glossary

**401(k):** An employer-sponsored retirement plan.

**ATM card skimming:** A high-tech machine that is placed inside the ATM that scans your card and records the data when you insert it into the machine.

**ATM (Automated Teller Machine):** Those with an account can use this for simple and quick transactions, such as depositing and withdrawing.

**Billing cycle:** The period between billings for your credit card. For example, your billing cycle may start on the 15th of each month and end on the 15th of the following month.

**Brokerage commission fees:** A monetary amount charged by a broker to execute a transaction on a security. Many brokerages nowadays are shifting to commission-free trades (e.g., TD Ameritrade, Vanguard, & Charles Schwab). It is recommended that you research fees before selecting a broker.

**Budget:** A plan for spending and saving money based on a person’s goals during a given period of time.

**Capital gains taxes:** When you put your money in stocks, bonds, and real estate (other than your home), you pay taxes on the money that you make on these assets.

**Cash trapping:** A thief may place a machine that gives out fake cash and keep the actual cash that you withdrew from the machine.

**Check:** It’s what we write on to pay someone, issued by the bank/credit union.

**Checking account:** A checking account allows you to easily access your money, spend it, and withdraw it using debit card.

**Contribution:** A payment to a common fund or collection.

**Contributions:** The money you put in your retirement savings account.

**Corporate taxes:** A direct tax imposed on the income or capital of a
corporation.

**Cost of living:** The average cost of a variety of expenses for living, including
rent/mortgage, insurance, utilities, and food.

**Credit history:** A record of a borrower’s responsibility in repaying their debts. Includes key information like the number of accounts open, number of late payments, and the amount owed.

**Cyber attack:** An act intended to compromise sensitive information or change internal systems without authorization of the owner.

**Cyber security:** A preventative system to protect valuable information from being compromised.

**Cyber threat:** A potential cyber-attack that has not occurred yet.

**Debit card:** A card issued by a bank or credit union when you open a checking account.

**Deductions:** Money that is taken from the employee’s gross pay. Common deductions are withheld taxes, benefits, and employee contributions. Deductions can be taken out pre-tax or post-tax.

**Deferred:** In the context of money and finance, this refers to something like taxes being put off until later.

**Defined benefit plan:** Known as a traditional style of pension plans where your employer controls the plan and its assets. Your employer will also guarantee a certain amount for your retirement no matter what happens.

**Defined contribution plan:** Modern style of pension plan, where you control the plan and its assets. The retirement benefits are dependent on how the assets perform and the characteristics are very similar to a 401(k).

**Direct deposit:** When you provide your banking account and routing number to your employer so that your paycheck is automatically deposited into your account.

**Discretionary income:** The amount of an individual’s income that is left for
spending, investing, or saving after paying taxes and paying for personal necessities (i.e., food, shelter, clothing, etc.). Usually spent on luxury items,
vacations, and nonessential goods and services (i.e., Netflix, Xbox, etc.).

**Employee:** That’s you!

**Employer:** The company, organization, or individual that/who compensates you for your work.

**Exchange-traded fund (ETF):** An ETF is a fund that contains various securities that usually track an index.

**Expense ratio:** Expressed as a percentage. All ETFs and mutual funds come with an expense ratio, which is charged to the investor in an attempt to cover operating expenses. The lower the expense ratio the better.

**Expenses:** Money a person spends.

**FICO score:** A three-digit number estimating your credit risk. It determines the interest rates that you will pay as lenders use this to understand whether or not you are likely to repay your debts. Range from a score of 300 to 850 where a higher score reflects better credit.

**Fixed expenses:** Expenses that stay about the same every month, such as rent, insurance, or car loan payments.

**Gift tax:** A tax on the transfer of property by one individual to another while receiving nothing or less than full value in return.

**Gross income/pay/wages:** An individual’s total pay before taxes or other deductions.

- gross pay - taxes & deductions = net pay

**Income taxes:** These are taxes on the money that you earn. The US government taxes your income, and so do most states. You have to pay both.

**Income:** Money a person receives.

**Interest rates:** The percentage of the loan that is charged to the borrower, typically expressed as a yearly rate. For example, 4% interest on a $1,000 loan
means you pay $40 to the lender in exchange for them giving you $1,000.

**IRA (Individual Retirement Account):** Known as a traditional style of pension
plan, where your employer controls the plan and its assets. Your employer will also guarantee a certain amount for your retirement no matter what happens.

**Maintenance fee:** A fee a bank charges every month.

**Malware:** Software used in a cyber-attack.

**Market Index:** A collection of securities (e.g., stocks) that represent a fragment of the financial market. The three most popular stock indexes are the Dow Jones, S&P 500, and NASDAQ.

**Medical identity theft:** Someone steals your Medicare ID or health insurance member number. Thieves use this information to get medical services or send fake bills to your health insurer.

**Mutual Fund:** A mutual fund is comprised of money provided by numerous investors to invest in securities.

**Needs:** An individual’s basic requirements that must be fulfilled in order to survive (e.g., food, electricity).

**Net (disposable) income:** An individual’s income after taking taxes and other deductions into account.

**Net Asset Value (NAV):** The value of a mutual fund.

- \( \text{NAV} = \frac{(\text{Assets} - \text{Liabilities})}{\text{Total number of outstanding shares}} \)

**Net Pay:** The amount of money the employee actually receives.

**Outstanding shares:** The total number of stocks held by shareholders for a particular company.

**Overdraft fee:** A fee a bank charges when you spend more than what you have in your checking account.

**Pay date:** The date on which your check is available for depositing or when your paycheck may be directly deposited.

**Pay period:** The range of dates the employee is being paid for.
**Pay rate:** The rate you are paid (e.g., $8/hr).

- Pay rate x pay period = gross pay
Pay Stub: An itemized explanation of your pay rate, hours worked, taxes, deductions, pay period, and the amount being paid to you. The pay stub is either physically attached to the check or is accessible through an online portal.

Paycheck: The money the employer pays the employee for their work for a set amount of time.

Predatory Lending: Targeting specific populations to lend money at extraordinary rates or with unnecessary fees.

Property Taxes: When you own property, you pay a ‘tax’ to the city you live in.

Remittance float: The amount of time it takes the money to transfer from one person to another once the order is made.

Remittance: The act of sending/transfering money to another person or account. Often to a foreign country, but it can also refer to other payments, such as those needed for internet or cable.

Roth IRA: Type of IRA that gives you your tax break later as opposed to when you contribute to it. Ideal for younger people starting to save as, the income limit to have a Roth IRA is $122,000.

Sales taxes: These are taxes on things you buy. Most states have sales taxes, which are similar to VATs (value-added taxes) in other countries.

Saving account: Where you keep your money for the future.

Savings: Funds set aside to be used at a later date.

Security: A financial asset that holds value. For example: stocks, bonds, and commodities.

Social identity theft: Someone uses your name and photos to create a fake account on social media.

Stock (shares, equity): A security issued by a corporation that represents partial ownership.
**Tax exempt:** The right to exclude income from taxation by the government.

**Tax identity theft:** Someone uses your Social Security number to falsely file tax returns with the IRS or your state.

**Taxes:** These are the fees charged to you by the government to earn revenue. They are usually used to pay for government activities. Taxes have many different forms.

**VantageScore:** Similar to the FICO score, this is a three-digit number used to estimate your credit risk. VantageScore is a competitor to FICO and determines one’s credit risk with different methods. It also takes less time to establish a VantageScore, and some people that can’t get scored by FICO can still receive a VantageScore.

**Variable expenses:** Expenses that may not be the same from month to month, such as groceries, gas, or credit card bills.

**Wants:** Nonessential goods and services (i.e., luxury items, vacations, etc.).

**YTD (Year-To-Date):** Often used to represent all that has been earned or charged within a calendar year.