

# Early Career Budget Exercise

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This exercise is designed to teach young adults what to expect from their future salaries and how to live within their means. It should take about 20-30 minutes, but one can play with the numbers as much as they like. We chose 5 potential career paths that will allow a wide range of opportunities with different pros and cons for each. We also provided some options for living arrangements, transportation, and lifestyle. We believe that every person deserves the opportunity to make informed decisions about their life choices, and this course will help young adults learn what they value most and where they have the ability to compromise. The key to successful financial planning is looking into the future!

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**Scenario:** You are 22 years old and you are finally getting to choose where and how you live! It's time to create a budget and make sure you can afford your life so you don't end up moving back home! Depending on the path you chose after high school, you'll have certain lifestyle choices to make in order to live within your means.

Choose a path from below:

Page 3 – Fast Food Manager

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Page 6 – Registered Nurse

Page 7 – Lawyer

Or do some research on the career of your choice:

Figure what you might make in your first year (try [payscale.com](https://payscale.com) or [glassdoor.com](https://glassdoor.com))

Apply 15% tax rate (simplified federal average)

Look up what someone in that career typically has for student loans

Assume you'll pay full price for your healthcare \$220/month

Assume you will not have an employer match on your retirement fund

Enter all your information into the budget. The rest of this exercise works the same regardless of career.

After you enter your career information, you'll choose your living arrangements, transportation options, and lifestyle spending. **You must keep your bottom line from going below \$0!** Everything else is up to you!

Choose your path and enter your numbers into your **budget on page 8** or you can access a **budget spreadsheet at [tinyurl.com/fse-hs-budget](https://tinyurl.com/fse-hs-budget)** to make it easier to make adjustments.

## Fast Food Manager



So you've been working in fast food since high school and your General Manager is very impressed with your customer service skills, ability to work under pressure, and leadership potential. At age 22, your GM offers you a full time position as the Store Manager with a salary of \$24,148/year. Your federal taxes come to \$3087 for the year so your monthly **take home pay** is **\$1755**.

You have no student loans, and you have a 401k but your employer does not provide a company match. You should try to commit 5% of your monthly take home pay, **\$87.75/month to your retirement** account from the moment you start working. If you begin at 18 you could have a huge advantage over your peers because of compound interest. You just have to commit to it early.

You also have access to healthcare now, at **\$220/month for a basic health insurance**. Working your way up to management in fast food or other similar industries like retail allows you to have some freedom to choose your location and schedule, there are always other restaurants you could switch to if you needed to change jobs. The income level stays relatively low, though, so you'll have to keep your cost of living pretty low to enjoy it.

The biggest benefit of remaining on the same career path this way is that you now have 4 years of experience, and when you can add "store manager" to your resume, you become much more attractive to employers should you choose to change companies.

**Turn to page 8 to enter your income and healthcare information into your budget.**

## Active Duty Air Force Enlisted



You joined the Air Force after high school because you knew this would guarantee free college education, and now at age 22 you have been in for 4 years and you are eligible to move out of the dorms and into your own place! You are making a salary of \$31,620 and your federal taxes are \$4555/year, so your take home base pay is \$2255/month. When you move out of the dorms, you'll receive an additional \$1000/month for housing and \$372/month for food, which are non-taxable. Your total budgeted income is now **\$3627/month**.

Along with the **free college** you are now eligible for, you also have **free healthcare** and the government will match up to 5% of your base pay toward your TSP retirement savings. This helps with your retirement planning. You have to put in 5% of your base pay to get the match, about **\$150/month to your TSP** from your paychecks.

The benefits of military service are many, but it also comes with great sacrifice and not everyone is eligible to serve. You don't get to pick your job or where you live, and there are other challenges that come with being in the military, like not being able to see your family very often, and having to make plans last minute which makes flights much more expensive. You also will not be able to quit the job whenever you want; your contract is a commitment. Many people want to get out of the military after their first enlistment term (4-6 years) but are unable to do so because they've become accustomed to the financial stability of the military. To avoid this, prioritize your savings and stay out of debt!

**Turn to page 8 to enter your income and retirement information into your budget.**

# Ironworker



After high school, you decided to become a welder. Your best bet for benefits would be to join an ironworkers union, but joining is like applying for a job. If you had no experience and they didn't accept your application, you would enroll in welding school and tuition and equipment would cost you about \$5000. After you finished, you were accepted into a union and began your apprenticeship. At age 22, you are on your second year of your apprenticeship making \$17/hour. Your salary comes to \$35,360 and your federal taxes come to \$5290, leaving you with a **take home pay of \$2505/month**.

You are eligible for **healthcare covered by your union**, and your employer contributes 5% to your retirement pension without affecting your pay! With a pension, though, you only get this money if you stay with the union until retirement age. You should consider contributing to your retirement fund on your own as well, so that you'll still have something if you decide to change careers. If you contribute 5%, that'll be **\$150/month toward retirement**. You are also going to need to pay back what you borrowed for welding school, with a minimum of **\$75/month for your student loan** for 5 years.

With ironworking skills, you can choose to travel to different states where there are current projects and make higher local pay rates, overtime, and per diem for the projects. You have a lot of power of choice over which jobs you choose to take.

**Turn to page 8 to enter your income and healthcare, and student loan information into your budget.**

## Registered Nurse



After high school, you got accepted into a state college and focused on getting your Bachelor of Science in Nursing. You went to school full time and didn't have time to work because of the course load. You graduated with \$47,000 in student loans and passed your NCLEX! Then you were hired full time at the hospital making \$54,288. Your annual federal taxes come to \$9,721, which brings your **monthly take home pay to \$3751**.

Your student loans are on an income-based repayment plan which is capped at no more than 10% of your pay, so you pay **\$375/month for student loans**. Most hospitals have really good healthcare options and you only pay **\$50/month for health insurance**. You also have a 4% match on your 401k contributions from the hospital, so when you put in **\$180 to your retirement fund**, your employer does too.

Nursing is a very important career that can be very stressful, and your shifts will most likely be 12 hours or longer. It's also said to be one of the most rewarding careers out there, and extremely popular. There are many paths you can take in the medical field, and many specialties within each designation. You can also look at higher or lower levels of education and career prospects.

**Turn to page 8 to enter your income and healthcare, and student loan information into your budget.**

# Lawyer



You are 25 years old, you've been in school full time since you graduated high school, and you have been completely dedicated throughout. You got a very high GPA in college and got accepted to law school, which you have now graduated and passed the BAR exam! It's been a long road and you've incurred \$145,000 in student loans, but now you are ready to be done with school and start working full time! You got a job at a small local firm with a starting salary of \$61,296. Your annual taxes are \$11,349 so your **monthly take-home pay is \$4162.25**.

The nice thing about a small firm is that your hours are regular and your salary is stable. They don't typically offer health insurance or benefits, though, so you'll have to purchase your **health insurance at \$220/month**. You've also got your **student loans to cover at \$416.23/month** on your income-based repayment plan. When you contribute to your retirement savings, You may want to start with at least 5%, which comes to **\$255.40/month toward your retirement fund**.

Lawyers have a lot of flexibility in their careers, you can specialize or generalize as much as you want. You can be self-employed or work with a firm or be employed by a larger company. You can even potentially choose your hours or work from home. It is common for your salary to increase rapidly compared to other careers, especially after the first 3-5 years. You must also consider, though, that most lawyers deal with high stress levels, high student loans, long hours, and a poor public image. You may not always be able to choose your clients either.

**Turn to page 8 to enter your income and healthcare, and student loan information into your budget.**

# Budget

You can enter your budget here by hand or if you have access to a computer or smartphone, you can enter the information on this google sheet: [tinyurl.com/fse-hs-budget](https://tinyurl.com/fse-hs-budget)

	Monthly
<b>Net Income</b>	
<b>Expenses</b>	
Student Loans	
Health Insurance	
Retirement	
Rent	
Utilities	
Renters Insurance	
Internet	
Cell Phone	
Groceries	
Vehicle Payment	
Car Insurance	
Transportation	
Emergency Fund	
Giving	
Dining out	
Entertainment	
<b>Total Expenses</b>	
<b>Ending Balance: income-expenses = Goals Cashflow</b>	

Now that you've figured out your career and your income, you can start deciding where you want to live, what you want to drive, and what kind of lifestyle you want to spend your money on.



# Living Arrangements

## Renting a Room:

Living in someone else's house

Shared living room, kitchen,  
bathroom, and laundry

Private bedroom

\$500 for rent

\$50 for utilities

\$30 to for internet

\$10 in renter's insurance

\$200 for groceries



## Studio Apartment

Private apartment with a bathroom

Bedroom and living room combined

\$650 for rent

\$80 for utilities

\$60 for basic internet

\$20 at the laundromat

\$12 for renter's insurance

\$250 for groceries

## Basic One-Bedroom Apartment

Kitchen, Livingroom, Bedroom,  
Bathroom

\$750 for rent

\$120 for utilities

\$60 for basic internet

\$20 at the laundromat

\$15 for renter's insurance

\$250 for groceries



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**One-Bedroom with amenities**

Kitchen, Living room, Bedroom,  
 Bathroom, Laundry Room, Dining room  
 Apartment complex with pool and gym  
 \$900 for rent  
 \$150 for utilities  
 \$60 for basic internet  
 \$15 for renter’s insurance  
 \$250 for groceries



**Two Bedroom/Two Bathroom with Amenities**

Kitchen, Living room, 2 Bedrooms,  
 2 Bathrooms, Laundry Room, Dining room  
 Apartment complex with pool and gym  
 \$1200 for rent  
 \$200 for utilities  
 \$60 for basic internet  
 \$15 for renter’s insurance  
 \$250 for groceries

**Cell Phone**

Unlimited Talk/Text with 2gb Data with Republic  
 Wireless: \$40/month

Unlimited everything with Tmobile: \$65/month

New phone: add \$30/month to your bill



**Internet**

Basic Internet: \$60/month

Upgrade your apartment internet to High  
 Speed: \$90/month

# Vehicles

## “The Beater”

It runs, and the AC works.

It's pretty scuffed up and there are

old cigarette burns on the seats

Makes a weird noise sometimes

2007 Saturn ION \$2500

**Monthly payment \$0**, bought with savings

**Car insurance \$50** liability only

Monthly **Transportation** costs

(fuel and maintenance) **\$120**



## “The Hatchback”

More inside space than you think

Great gas mileage, totally unimpressive in street races though.

2012 Nissan Versa Hatchback \$6,000

**Monthly Payment \$100**

**Car Insurance \$140**

**Monthly Transportation Costs \$100**

## “The Sport”

That is one sleek looking vehicle.

She's got some power too.

Still pretty new, unlikely to have mechanical issues.

2017 Mazda3 Sport \$12,000

**Monthly Payment \$200**

**Car Insurance \$180**

**Monthly Transportation Costs \$100**



## “The SUV”

Off road or in the city, she's ready.

Great for outdoors and big families.

2018 Subaru Forester 4WD \$24,000

**Monthly Payment \$400**

**Car Insurance \$250**

**Monthly Transportation Costs \$150**



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## Discretionary Spending- Lifestyle

The amount of your income going toward each of these categories is easier to control than the rest of your bills. This includes your lifestyle spending, savings, and giving. First, calculate 5%, 10%, and 15% of your monthly take home pay here:

Take home pay:	
5%	
10%	
15%	

Now you'll decide what's important to you by giving them each a percentage of your monthly income.

### Dining Out

**5%** If you usually cook at home, bring lunch to work, and don't indulge in café coffee.

**10%** If you dine out semi-regularly, or usually eat lunch on the go.

**15%** If you dine out often with friends, for lunch, or go to bars and cafes for entertainment.



### Entertainment

**5%** for local beaches, lakes, hiking, etc.

**10%** for shopping, movies.

**15%** for traveling and spas.



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## Retirement:

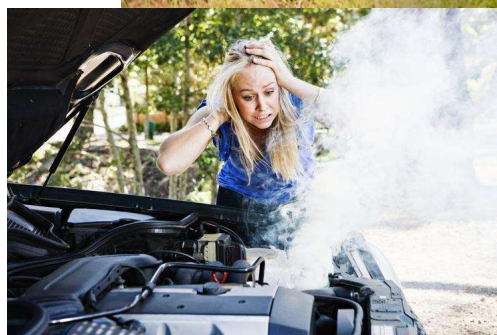
This is the total of both your contribution and your employer's if you have an employer match!

**5%** throughout your life means retirement will be cheap, mostly in your home which is hopefully paid off.

**10%** means you will be able to splurge a bit, move down to a nice beach condo if you want to, or near your grandkids.

**15%** means a more luxurious retirement, where maybe you can take an annual trip to a new country, or buy a boat or a camper for the weekends.

Saving more than this means you may even be able to retire early!



## Emergency Fund

Your emergency fund is your safety net in case something bad happens. If you can't afford to put some money into your savings account each month, you should probably cut back somewhere else.

**5%** to cover minor car repairs, goal \$1000.

**10%** to cover health bills (you'll have a copay even if you have insurance).

**15%** to cover job loss, or to quit a job you don't enjoy.



## Giving

**5%** for occasional gifts to friends and family.

**10%** for traditional tithe.

**15%** for major charitable contributions.



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# All Finished!

Now that you've decided on all your income, expenses, and lifestyle choices, what have you found? Are you able to afford everything you want? Can you cut back on some things for a short time so that you can live more comfortably later?

**Did you have to make any changes to your original choices? What were they?**

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**Financial Stability Experience would love to hear how it went!**

Send your feedback to me directly at [heather@financialstabilityexperience.com](mailto:heather@financialstabilityexperience.com)

Or leave a review at <https://facebook.com/financialstabilityexperience>

**Thank you so much!!!**

If you know what you want from your life, there are always ways to accomplish those things. You can work your way up to being able to afford all the fancy stuff you want; it takes time and a solid financial plan. When you start earning your money, the more you save, the more comfortable you will be when you are ready to move out. Always remember that you can always make adjustments to your budget.

You can:

- Earn more
- Change your living situation
- Change your vehicle
- Negotiate your bills
- Change your spending habits
- Save up for your goals

Alternatively, you can find ways to make life less expensive in the beginning! Keep reading to learn about many different ways to keep the cost of life down so that you can live the life you want!

# Preparing for your career

Some careers have requirements that have initial costs, like college, or additional training or testing you have to pay for before you are hired. Whatever career path you choose, get a good layout of all the things you will have to complete initially and any continued education you may be responsible for in the future. If you are planning to join the military, physical fitness and keeping your record clean are very important to maintaining eligibility. There may be programs that are related to your chosen career that will help you train for cheaper, or even for free.

Never burn any bridges with your employers, professors, or mentors. This means that even when people make you angry, it is important to learn how to remove yourself from the situation without getting out of line. Cussing out your boss when you quit, or lying to your professors in college can come back to bite you when you're trying to get ahead in your career. Always think about how it can affect your future.

Begin keeping a master resume. This is a document that you update every time you start or leave a job. Things to include

- Business information such as address and phone number
- Information about the position you held including job title, salary, and start and end dates, and a description of what you actually did and were responsible for
- Your supervisor's name and contact information, especially phone and email address
- Anyone who might provide a positive reference for you, whether that is your boss, coworker, or other associates.

You can also include any other work you have done, such as volunteering, being a member of an organization or church, mowing lawns, and babysitting. It doesn't have to be paid work, and you may find that you were glad you kept the reference.

Pro-tip, also include your address history. Most young adults move from one apartment to another frequently in their 20s as their life changes. Remembering those addresses is very difficult as they start stacking up.

When you are ready to make your first resume, this article by Upjourney is a great reference!

<https://upjourney.com/how-to-write-a-resume-for-the-first-time>

# The Cost of Education

There are many ways to keep your education costs low. You can use any combination of these tips that work for you.

## Earn college credit in high school:

- Dual Enrollment- Some high schools will have a partnership with a local college or university and a teacher who will come and teach college level courses at the high school. The benefit is that you graduate high school with guaranteed credit at that college. The downside is that not as many colleges accept dual enrollment as AP and IB courses, so make sure to do your research on your local options.
- Advanced Placement (AP) and International Baccalaureate (IB) courses offer advanced instruction with the option to take a test at the end. You must pass the test with a certain score in order to receive college credit. These classes are also often weighted differently than regular college courses, an A in an AP class may be worth a 4.5 or a 5.0 GPA as opposed to a 4.0 GPA in a regular class.
- CLEP and DSST Exams- these exams assess your prior learning. There is usually a fee for these exams, which the student will usually be responsible for. These are a great option for gaining that college credit even if you do not reach the passing score for the AP or IB exams. (I personally took 7 AP Exams in high school and didn't pass any of them, despite doing well in the courses. I wish I had thought to try the CLEP exams afterward, they have much easier requirements, and are still accepted by most universities)

The advantage of earning college credit in high school is that you don't have to spend your time or money on college tuition for the same credit. The average public university costs \$10,000/year, not including room and board. If you gain enough college credit to skip even just one semester of college, you will have a serious financial advantage.

## Attend a Community College

Community colleges are everywhere in the United States. They have many of the same courses as public universities do. Usually all of the "basics" are available, but with a lot more flexibility. Doing a couple of semesters at a community college will rack up a MUCH lower bill, with an annual average of \$3500 for tuition, compared to public universities' in-state average of \$10,000. If you have a dream university in mind, it is super easy to make sure your community college will transfer to that university when you are ready to start. Most of them will.



## Focus on the Big Numbers

While you near the end of your high school career, you'll be focusing on the big numbers that most college applications are made from. These are usually:

- GPA
- SAT and/or ACT scores
- Number of AP and/or IB classes

If you have a weakness in one area or another, you can focus on building yourself up in other areas. If you do not get into your preferred school the first time around, you can always attend a community college and focus on building your GPA, so that when you apply as a transfer you will have a stronger case. This will also save you money in the long run.

## Apply for Scholarships

Everybody loves to say this but where do you even start? The essay portion can seem super daunting, especially if you're still in your junior or senior year of high school and super stressed out. But the good news is, most scholarship essay subjects are relatively similar. Start by writing a story of yourself, creating yourself as a character the reader can relate to. Then prepare a few second-half stories, such as "greatest success," "greatest failure," "person who has most influenced you," and "major accomplishments." These topics are frequently addressed and once you have prepared them, adjusting each essay to the particular scholarship will be way easier.

You can also Google different college scholarships based on your demographics, geographic area, family history, etc. Guidance counselors at your school probably have a huge list of local scholarships that you can apply for and the number of people applying for those is going to be significantly fewer than the people applying for national scholarships. Everything adds up, you could even potentially end up with more than you need for tuition, and not need to work while you study.

## Understand Loans

Federal student loans offer income-based repayment plans, which can be a very big deal when you're going to expensive schools and end up with high balance loans. An income based repayment plan is capped at 10% of your income, so for my Lawyer example I used an income based repayment plan that kept their payments low. If I had put them on a 10 year repayment plan, it would have been almost triple that amount every month. Second, Federal student loans may be eligible for Public Service Loan Forgiveness and Teacher Loan Forgiveness programs that may provide some relief.

Subsidized federal loans do not incur interest during your time in school, while unsubsidized loans begin charging interest as soon as you get the loan. 4 or more years of interest on that much money is going to make a huge difference. Private loans generally work similarly to unsubsidized loans.

For example, if you borrow \$10,000/year for 4 years, you will graduate with around \$40,000 owed if you have subsidized federal loans.

If you have unsubsidized loans, you'll graduate with closer to \$45,000 owed, despite only borrowing \$40,000 in the first place.

Either way though, you'll be paying an additional \$10,000+ in interest on top of your original \$40,000 loan over the course of the 10 years they give you to pay it back. Student loans are insane, and finding ways to avoid them as much as possible makes an incredible difference in your financial future.

For more tips about making college as inexpensive as possible, check out The Ultimate Guide to College Hacking by ChooseFI at <https://www.choosefi.com/ultimate-guide-to-college-hacking/>

## Learning about Retirement

**The Simple Path to Wealth by J. L. Collins** is a really wonderful way to start learning about how to save for retirement the most efficient, easy way without having to commit a lot of brain power to it on a regular basis. It will teach the very basics and provide some guidance and how to expect the timeline to mature over the course of the investors life. You don't need to hire a financial advisor, this book will really help you understand how to make your money work better for you, and keep more of your own money in your pocket.

The gist of it is, low-cost index funds save you the cost of trading, of employing an advisor, and saves you the time of learning about individual stocks or trying to "time the market." Index funds follow the entire market, mirroring the Dow Jones Industrial Average, by picking a large number of companies to base their stock on. They are frequently changing and therefore the holder doesn't need to buy and sell frequently as the stock itself is balancing on a regular basis. The Simple Path to Wealth gives a few examples of low cost index funds for you to get familiar with, and teaches you how to find some within your own 401k or otherwise.

This may not seem like a big deal right now, but the important things to take away are that you should always prioritize even a small percentage of your income to go to your retirement fund, and when you are ready to make sure it's going to the best place for you, check out this book!

## What about the Guard and Reserves?

The US military also has branches of the guard and reserves within every major branch. These forces are designed to keep a large number of people in a ready state should the nation need to call upon them. Their service commitment usually includes one weekend per month of training, or one month per year.

The Guard and Reserve forces are eligible for healthcare through Tricare Reserve Select, which is premium based and costs approximately \$45/month on average for the service member alone. You could also extend that benefit to your dependents for around \$250/month. These are still drastically lower than health insurance from the open market. At Age 60, reserves retirees are eligible for Tricare Retired.

Reserves members are eligible for retirement pay after 20 qualifying years of service, using the High 36 system. It provides a monthly payment similar to a pension.

Reserves are also eligible for GI Bill Selected Reserve benefits, which pay a stipend of \$392/month as of 2020. More information can be found here:

<https://www.military.com/education/gi-bill/selected-reserve-gi-bill-payment-rates.html>

## How much should I have saved?

This is a very common question people ask when they start bringing in more money than they've ever had before, and would like to know if they are "doing it right" financially. I believe there's no hard answer to this question, but there are some guide posts one can aim for to be more comfortable.

**Emergency Fund-** There are two phases of an emergency fund: with consumer debt, and without consumer debt. When you have consumer debt you need to pay off, you can gather a small emergency fund for covering urgent expenses like car repairs and maybe reduced hours at your job. After that you should focus on your consumer debt because you lose so much to interest. Once that is paid off, your second phase of your emergency fund should cover your expenses in the event of job loss, many people recommend 3-6 months of expenses set aside in cash.

**Retirement-** As with the emergency fund, there are different types of retirement savings too. I generally recommend the bare minimum is to max out your employer match, or try to put in 5%

of your income. When you are more comfortable financially, the sky is the limit. The more you save, the sooner you can retire. Make sure to keep in mind what kind of life you would like to live in retirement and try to groom your life to support that as it gets closer.

**Mid-term savings-** these are your goals! Anything under 10 years should be considered a mid-term goal. Whether you are saving up for a new car, moving someplace new, buying a home, or your kids' college funds, you may want to start setting aside money for these priorities. Determine your price goal first, then your timeline. Simply divide your price goal by the number of months until you want to make the purchase, and that's your monthly savings goal. If that is not attainable in your current budget, you can either reduce your spending to save more, or change your goal price or timeline. I fully encourage everyone to name their savings account after their specific goals so that when you pay toward them it is just like paying toward another bill.

For more resources, check out [www.financialstabilityexperience.com](http://www.financialstabilityexperience.com)!