

Financial Literacy 101: Earn and Save



New Mexico
State Treasurer's Office
The Honorable Tim Eichenberg
State Treasurer
Samuel K. Collins, Jr.
Deputy State Treasurer

Gross Income vs. Net Income

For a wage earner, **gross income** is the amount of salary or wages paid before any deductions are taken. **Net income** is the residual amount of earnings after all deductions have been taken from gross pay, such as payroll taxes and retirement plan contributions.

Electronic Electrics Inc. 1234 Central Avenue Albuquerque, NM 87101						Earnings Statement
Employee No.	Employee Name	Social Security No.	Period Beginning	Period Ending	Check Date	
543210	Jerome Roberts	XXX-XX-1234	9/1/2016	9/15/2016	9/15/2016	
Earnings	Hours	Rate	Current Amount	Withholdings/Deductions	Current Amount	Year to Date
Regular Pay	40.00	15.00	600.00	FICA Med Tax FICA SS Tax Fed Tax NM State Tax	8.70 37.20 59.57 28.19	
Current Amount 600.00	Current Deductions 133.66	Net Pay 466.34	YTD Earnings 13,200.00	YTD Deductions 2,940.43	YTD Net Pay 10,259.57	Check No. 2756

Banks vs. Credit Unions

Banks

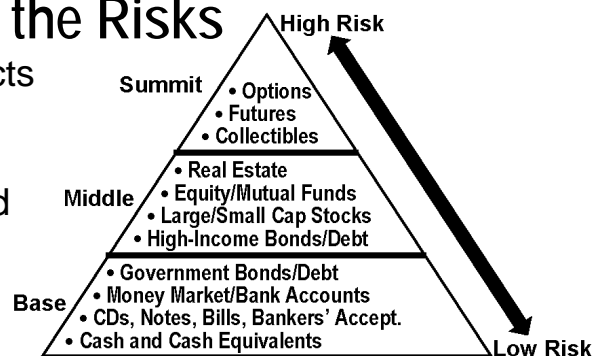
- \$ Offer checking and savings accounts, debit and credit cards, loans, and investment services
- \$ Banks are companies that are **owned by shareholders**
- \$ A bank's goal is to **make a profit** for shareholders

Credit Unions

- \$ Offer checking and savings accounts, debit and credit cards, loans, and investment services
- \$ A credit union is **owned by its members**
- \$ Credit unions are **not-for-profit**
- \$ Money remaining in reserves after expenses is passed back to customers, for example:
 - ¢ Free services
 - ¢ Lower fees and loan rates
 - ¢ Higher deposit yields

Investment Vehicles: Understand the Risks

- \$ Savings
- \$ Bank CDs and Money Market Accounts (FDIC Insured)
- \$ Bonds
- \$ Stocks
- \$ Insurance Products
- \$ 401(k)
- \$ Mutual Funds
- \$ Exchange-Traded Funds (ETFs)
- \$ Commodities

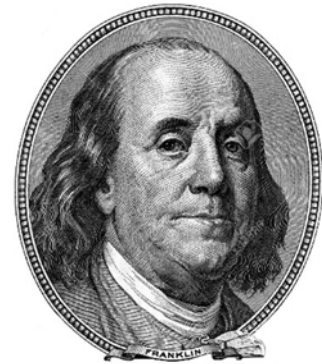


Time = Money

If I invest \$100.00 per month until I am 65 years old, at 1.2% interest, how much will I have?

Starting at Age 51	
Monthly Contribution:	\$100.00
Years Contributed	14
Total Contribution:	\$16,900.00
Interest Rate:	1.2%
Interest Received:	\$1,393.60
Total Value:	\$18,293.60

Starting at Age 16	
Monthly Contribution:	\$100.00
Years Contributed:	49
Total Contribution:	\$58,900.00
Interest Rate:	1.2%
Interest Received:	\$20,688.78
Total Value:	\$79,588.78

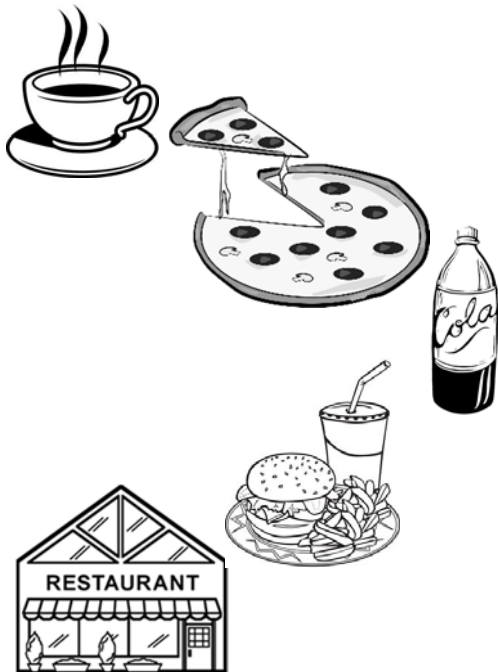


You may delay, but time will not, and lost time is never found again.
~Benjamin Franklin

If you start at age 16, you'll contribute 3.48 times as much as the 51-year-old; but you'll receive 14.85 times as much interest income!

I Can't Afford to Invest \$100 per Month—or Can I?

Some common expenses we may not be aware of:



Coffee: \$4.25 per cup at 15 cups per month	\$63.75
Pizza: \$12 per pizza at 4 pizzas per month	\$48.00
Soda: \$1.25 per soda at 30 sodas per month	\$37.50
Lunch: \$8 per lunch at 15 lunches per month	\$120.00
Restaurant: \$50 per meal for 2 people at 4 times per month	\$200.00
Total of These Common Expenses	\$469.25

What if we cut those expenses by 25%? $\$469.25 \times 0.25 = \117.31
Yes, you CAN afford to invest \$100 per month!