Making a Difference

A Guide to Personal Profit in a Nonprofit World

National Endowment for Financial Education

idealist.org
Action Without Borders

Making a Difference
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The be-all and end-all of life should not be to get rich, but to enrich the world.

B.C. Forbes

American publisher and renowned financial businessman

INTRODUCTION

Just by opening this booklet, we know you are an idealist, a dreamer, an achiever, someone who is determined to make the world a better place. But working to make the world a better place doesn't mean that you can financially afford to live here.

For more than 10 years, Action Without Borders / Idealist.org has been dedicated to connecting people just like you to organizations and opportunities worldwide. Now, Idealist.org wants to help you not only survive, but thrive, in the career you have chosen to pursue in the nonprofit sector.

Together with the National Endowment for Financial Education, Idealist.org is taking you beyond its job searching and networking services. This booklet is a step-by-step process to help you answer the question of "How can I afford to live comfortably and build a secure future while working in the nonprofit sector?" From understanding personal savings accounts to learning the fundamentals of job salaries and benefits within the sector, this booklet is designed to guide you toward informed financial decisions.

We know you are working hard to make the world a better place to live in. We hope this booklet educates and empowers your financial decisions, so you can enjoy living in the world that you are making.

Chapter 1

Making the World Better

Often people attempt to live their lives backwards: they try to have more things, or more money, in order to do more of what they want so that they will be happier. The way it actually works is the reverse. You must first be who you really are, then, do what you need to do, in order to have what you want.

Margaret Young
Acclaimed American singer and entertainer

Let's begin by asking a two-part question: what is a nonprofit organization and who is working at these organizations?

To simplify a complex and extraordinary sector within today's workforce in the United States, a nonprofit organization exists solely to bring about change in society.

In reality, more than one million nonprofit organizations employ more than 10 million people (approximately 7 percent) of the total workforce in America. Yet, most of these 10 million people are volunteers or part-time employees with a full-time belief in making a change in the world.

From public policy to research to community awareness, nonprofits engage in a range of public activities to create conversation and action around issues such as: health, education, child labor, auto safety, homelessness, AIDS, civil rights, housing, and environmental issues. Many function as educational groups, foundations, charities, and trade and professional associations.

Perhaps the best way to define nonprofit organizations is to examine their specific activities, primary missions, and public passions. While nonprofit organizations come in many different forms, shapes, sizes, and orientations, most fall into these 12 categories:

1 **Private educational organizations** consist of private nonprofit elementary, secondary, and post-secondary educational institutions. These are primarily local groups with affiliated national and international alumni.

2 **Religious organizations** include a wide range of religious groups, such as churches, synagogues, mosques, and evangelical organizations with small to large membership bases. These are comprised of local groups that may be affiliated with larger national and international groups.

3 **Arts, cultural, historical, and community educational organizations** encompass museums, opera companies, symphony orchestras, nonprofit theaters, and libraries that are primarily community based.

4 **Health organizations** include hospitals, clinics, nursing homes, and allied health-care organizations involved in delivering a variety of health-care services. These are primarily local groups controlled by local boards of prominent citizens.

5 **Social service organizations** encompass the largest number of nonprofits. These groups provide a wide range of assistance to different population groups; from the homeless, orphans, and battered spouses to the handicapped, elderly, and refugees. Primarily local groups, some organizations also are affiliated with national and international parent organizations. These groups are the stereotypical charitable organizations that define the nonprofit world in manypeoples' minds (such as the American Red Cross).

6 **Advocacy and political groups** include such noted groups as Greenpeace International, Common Cause, National Association for the Advancement of Colored People (NAACP), and the Sierra Club. Many of these are national and international in scope, and focus on influencing public policy through public education and political action.

7 **Business, professional, and trade/labor organizations** promote educational and political support activities for members. Many of these groups or associationsborder on being for-profit organizations. Some of the best known such groups include the American Bar Association, American Medical Association, AFL-CIO, National Rifle Association, National Manufacturers Association, and the U.S. Chamber of Commerce. Many of these are national in scope and include regional, state, and local chapters. They offer excellent job opportunities for individuals skilled in communications and meeting planning.

8 **Scientific and research organizations** conduct research and experiments used by government agencies and businesses. These organizations include research and development organizations and think tanks, such as RAND Corporation, American Enterprise Institute, Brookings Institution, CATO Institute, and Urban Institute.

9 **Community development organizations** focus on ways to strengthen communities in the areas of employment, economic development, housing, education, and health care. These are primarily local grassroots organizations.

10 **Foundations** engage in philanthropic activities that fund many other nonprofit organizations, especially education, art, health, and social service groups. While most are community-based, others such as the Lilly Endowment, Ford Foundation, Rockefeller Foundation, and Johnson Foundation are national and international in scope.

11 **Youth leadership and development organizations** consist of groups such as the Cub Scouts, Boy Scouts, Girl Scouts, and Camp Fire Girls and Boys.

12 **Cooperative utility companies** include cooperative electrical generation and irrigation organizations primarily operating in rural areas and small towns.

The diversity of nonprofit organizations is paralleled by the individuals who choose to work at them. For that very reason, it is impossible to define who works in the nonprofit sector, except to say that they are very similar to you.

They too are likely to be reading this booklet because they feel a calling to serve others. They may have just graduated from college or are working and considering going back to school for advanced education. While it may sound trite, the world is a better place because of people like you who make the decision to work in the nonprofit sector.

We know that, at times, it is not an easy decision to make. Undoubtedly you are all asking yourselves the question, "Can I afford to work, or keep working, in the nonprofit sector?"

The chapters in this booklet will help answer that question so that you may feel more secure about financial issues as you embark on this career path.

I aspire to take on the role of executive director of a nonprofit some day in the future. My hope is that as executive director I would work more hours, but that my salary would also be more than I currently make. Since I fare adequately on what I make now, anything more would be immediately popped into my retirement savings account.

Bridget
Assistant Director of Marketing

How we spend our days is, of course, how we spend our lives.

Annie Dillard
Pulitzer Prize winning poet and author

Chapter 2

Making Your Time in School Count

As you see the conclusion of your college days fast approaching (or are glancing at them in your rearview mirror), we want to review some considerations with you to make sure you are on the right track for successful post-college life.

Whether you have put yourself through college and worked a job throughout your college years, received financial aid, or received financial assistance from your family, it is likely that you are about to experience financial independence and responsibility in some form for the first time. You no longer will be weighed down by term papers and exams. Instead, you will answer to an alarm clock that can be a bit of a rude awakening if you are not prepared for it. In fact, your first rude awakening may be realizing that many organizations work longer hours than the mythical "eight to five" you've heard so much about.

> The average college graduate today is expected to change jobs 12 times and to change careers at least three times during his or her life.
> Source: U.S. Bureau of Labor

A few ideas to jump-start and prepare you for your career while still in college include:

Research jobs related to your field and area of interest, whether that's a certain issue area: health care, public policy, social work experience, or administration, for example.

Take classes that will prepare you for your field. Don't look for the easy A's—look for classes that will help launch your career. In the nonprofit arena, that can mean courses of study in a foreign language, fundraising, or communication.

Try to break into your field while you are still in school. Work or internships will give you an advantage over others who apply for the same jobs after graduation.

Become actively involved on your campus or volunteer your time in a community service that will build your skills and knowledge. For example, if you want to work at an organization that works to prevent domestic violence, join on-campus efforts such as a women's resource center or similar student groups whose work you admire. Demonstrating a commitment to an issue is something that nonprofit employers look for.

Read trade and professional journals in your field to learn about future job opportunities, current professional trends, and upcoming conferences you can attend.

Find a mentor in your field who you can meet with on a regular basis as you navigate your way toward your new career.

Your first job is a step in a career that can grow and change over many years. Part of making smart financial decisions is keeping in mind your long-term possibilities as well as needs.

My Job

My after-tax income from my current job	$ ______________ per month
The jobs/careers I am qualified for	1. ______________ 2. ______________ 3. ______________
I plan to look for a job in the following places	1. ______________ 2. ______________ 3. ______________
3 people who would give me a good reference **(include names, addresses, e-mail, and telephone numbers):** 	1. ______________ ______________ ______________ ______________ 2. ______________ ______________ ______________ ______________ 3. ______________ ______________ ______________ ______________

Interns are our most valuable assets. Working with people who are enthusiastic and dedicated helps us a lot. Plus, we get a chance to see which people are really vested in the mission and when the budget allows we will hire these people for paid positions.

Jessalyn
Director

Chapter 3

Understanding Loans

Starting out to make money is the greatest mistake in life.

Do what you feel you have a flair for doing, and if you are good enough at it, the money will come.

Greer Garson
Academy Award-winning actress

While it might not seem like it right now, student debt is actually good debt because you have made an investment in yourself that will pay off in the years to come. This chapter is designed to supplement information you receive from your college or university's financial aid offices. Your assigned student loan officer also can help prepare you for life after college when your loans come due.

First, however, you must be aware of exactly what loans you have and what is owed on each loan. The National Student Clearinghouse at www.studentclearinghouse.org is a valuable resource for recent graduates just like you who need to create a loan repayment plan.

Payment towards most school loans must begin within six months of graduation. The following outlines the typical ways to begin paying off your loans, but keep in mind that every situation is unique. There are possibilities for paying your loan, or perhaps even having your loan partially or entirely forgiven, depending on your career choices. This is why it is important to discuss your options with your university loan officer or your lender before graduating or shortly thereafter.

Repaying Monthly

Traditionally, you will pay back student loans on a monthly basis in the following manner:

Standard repayment: Principal and interest payments are due each month throughout the loan repayment term.

Graduated repayment: Payments are lower at the beginning of repayment and step up at specified periods and in specified amounts over the term of the loan. This may be a good option for you if you are certain your income will increase (for example, from a raise) at a given date that cooperates with your loan payments.

Income-sensitive repayment: Monthly payments are based on a percentage of the borrower's monthly income for Stafford, PLUS, and (federal consolidation) SMART Loan® account borrowers.

Extended repayment: Eligible borrowers receive payment relief through a lengthened repayment term of up to 25 years. This may result in more interest being paid, but also makes your monthly payments more manageable and affordable based on your salary. It's important to keep in mind that you will likely advance in your career, and therefore your salary will increase, so an extended repayment may be inefficient over the long term.

College students graduating in 2002 owed a median of $16,500 in student loans, up 74 percent from 1997, according to Nellie Mae, one of the nation's biggest education lenders.

According to the National Center for Education Statistics, 65.6 percent of all students are carrying debt. Grads' debt burdens go beyond student loans

The median credit card debt for college students was $1,770 in 2001, up 45 percent from three years earlier, according to Nellie Mae.

The American Council on Education reported that more than 4 in 10 student cardholders carried a monthly balance.

Deferring Loans

It is possible to defer (postpone) your loans for a specified amount of time. However, you must qualify for a deferment, and it is important to remember that payments on loans are still due until your deferment is granted. Some reasons that you may qualify for a loan deferment: if you are going back to school, you are enrolled in a government-approved program (such as AmeriCorps), or if you have an extenuating personal circumstance.

Requesting Forbearance

Loan forbearance can be an option for borrowers with temporary financial difficulty. You may suspend or reduce payments under certain circumstances and for specified periods. Like deferment, you must qualify for forbearance, although it is often easier to receive loan forbearance than deferment. One important point about forbearance is that the interest still accrues even though you are not making payments, and the interest will add up over time.

Canceling Loans

There are specific instances in which student loans can be canceled altogether. Review the chart on page 16 to determine if your situation might qualify for loan cancelation. It may be worthwhile to talk with your lender to determine if you qualify for loan cancelation or forgiveness.

According to a recent study conducted by the Building Movement Project, only 3 percent of recent graduates entering the nonprofit sector in 2001 took advantage of loan cancelation programs. For example, AmeriCorps, a service program overseen by the Corporation for National and Community Service, offers student loan repayment ($1,200 or an education award) for individuals who complete a term (generally a year) of service.

Moreover, program participants are eligible for loan deferment for the entirety of their service, including loan interest. This is just one of many programs that are similar in loan repayment and deferment. At least 43 states offer loan-forgiveness if students choose particular professions, including: nursing, medicine, public interest law, teaching, and social work.

STUDENT LOAN CANCELATION CHART

Cancelation Condition	Federal Stafford Loans	Federal PLUS Parent Loans for Undergraduate Students	Federal Perkins Loans	Federal Consolidation Loans
Childcare Provider	✖			
Closed School	✖	✖	✖	✖
Death	✖	✖	✖	✖
Disability	✖	✖	✖	✖
Education Component of Head Start Program Staff Member			✖	
False Certification	✖	✖		✖
Law Enforcement or Corrections Officer			✖	
Nurse or Medical Technician			✖	
Professional Provider of Early Intervention Services for the Disabled			✖	
Public or Nonprofit Child or Family Services Agency Employee			✖	
Teacher Forgiveness	✖	✖		✖
U.S. Armed Forces			✖	
Unpaid Refund	✖	✖		✖
Vista or Peace Corps Volunteer			✖	

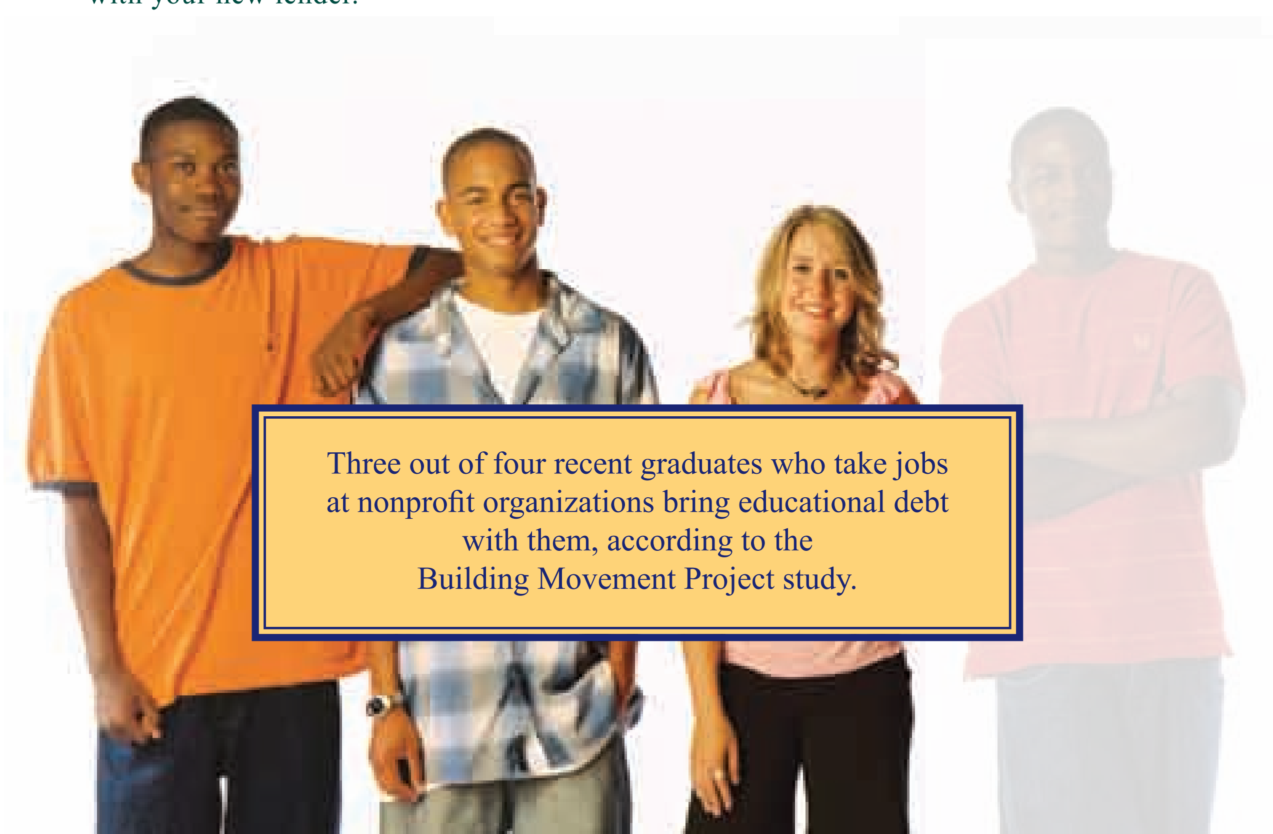
Consolidating Loans

Federal consolidation loans allow borrowers to refinance one or more federal education loans and significantly lower their monthly payment by extending the payback period. The original loans are paid in full, and a new loan for the combined balances is issued with new terms, including a new, low interest rate that is fixed for the life of the loan. Remember, though, that your monthly payment may decrease, but since it will take longer to pay off your loan, you'll pay more in interest.

Consolidation is helpful when you:

- **Carry heavy education debt.**
- **Want to lock in a fixed interest rate.**
- **Reduce your monthly payment and paperwork responsibilities.**

If you consolidate your loans, it is important to know that you will no longer be able to defer them or have loan forbearance. You must repay your loans based on the terms you agreed to with your new lender.



Three out of four recent graduates who take jobs at nonprofit organizations bring educational debt with them, according to the Building Movement Project study.

The following worksheet can help you organize debt. It is a good idea to make several copies of the worksheet (one per creditor) and put the worksheets in order from the debt charging the highest interest rate to the lowest interest rate. When one debt is retired, move that payment onto the debt charging the next highest interest rate.

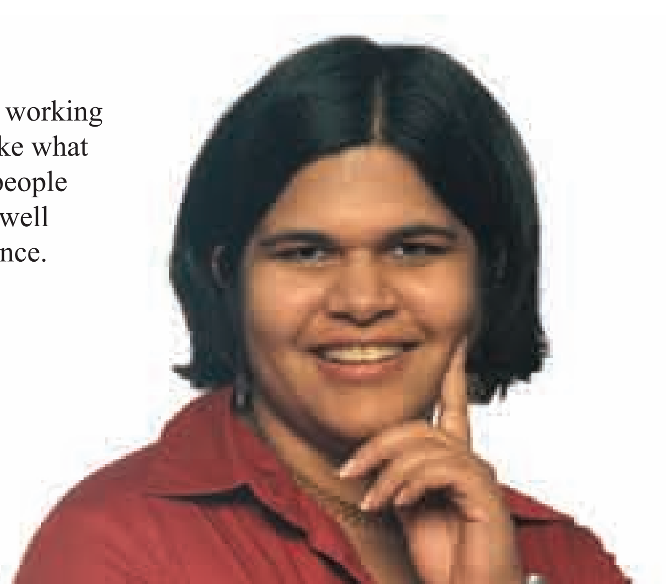
Debt Recovery Worksheet

Creditor: VISA **Debt is for:** Leisure Vacation

Interest Rate	Amount Owed	Monthly Payment	Payment Due Date	Amount Paid & Date
2%	$1,000.00	$20.00	3rd of each month	$100 (9/3/06)

The most important thing to me about working in the nonprofit sector is that I feel like what I do makes a difference and helps people and that my skills and talents are well used to make that positive difference.

Sarah
Program Officer



If you have to support yourself, you had bloody well better find some way that is going to be interesting.

Katherine Hepburn
Academy Award winning actress

Chapter 4

Making a Living

Once you find a nonprofit organization to work for and receive that all-important job offer, congratulations are in order! You have prepared yourself and presented what you have to offer an organization and they think you are team-worthy material. Reviewing an offer from a potential employer, possibly your first-ever employer, is an exciting opportunity. However, it is also a time to reflect on what is important to you and what is important to your finances.

You should always aim for the best opportunity and right experience that can put you on a career path—not the best salary. In fact, the right job at the right organization in the right field should be your first priority.

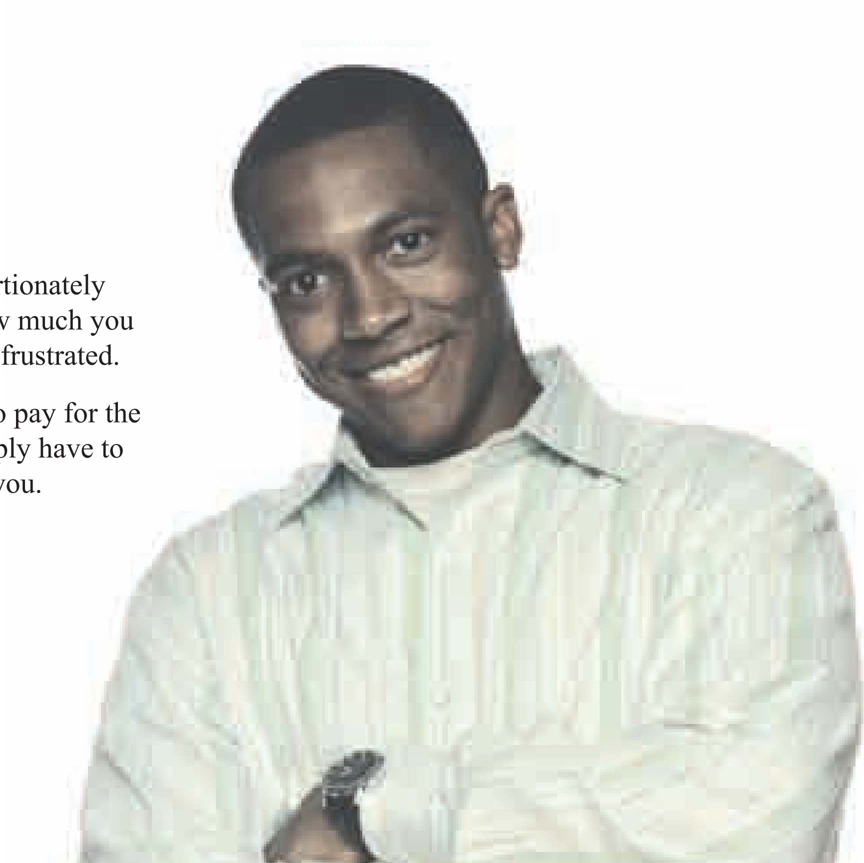
Salaries

Now that you think you have found the right job at the right organization, it is important to know your worth. Whether you have little or no experience, there is still a salary that applies to who you are and what you can offer an organization. Variables such as the type and size of organization, the position offered, and where the organization is located are each important considerations when determining a salary. It is important to keep in mind that the average entry-level job at a nonprofit organization pays 22 percent less than at a for-profit company.

The truth is, if money is disproportionately important to you, then no matter how much you earn, you'll always feel financially frustrated.

Of course you have to earn enough to pay for the essentials, but beyond that you simply have to decide what is important to you.

William
Development Officer



Although you may not get the salary you want when you start at your new job, getting the position you want should be the primary focus of your job search.

A good place to start researching your worth is with the Career Center at Idealist.org. Your state association of nonprofits which often conduct annual salary studies as well. Once you have determined an average salary for the position you are being offered, it is just as important for you to clarify what you are being offered aside from a salary and what you can ask the employer for in addition to—or in exchange for—money. Keep in mind that"nonprofit" does not necessarily mean "no profit" for you—it depends on your experience, the nonprofit you are interested in, and the position you are applying for.

2004.2005 National Averages
Average Salary by Budget Size

	Overall Average	$500,000 – $999,999	$1M – 9.9M	$10M – 24.9M	$25M or More
Executive Director/ CEO/President	$90,422/$90,411	$64,552/$66,840	$87,290/$89,084	$120,675/$125,216	$180,814/$195,886
Chief Financial Officer	$65,382/$66,482	$40,324/$41,969	$58,900/$58,228	$78,940/$84,880	$110,036/$117,149
Program Director	$54,166/$55,869	$40,129/$41,335	$53,582/$54,863	$72,641/$77,750	$92,688/$93,452
Planned Giving Officer/ Major Gifts Officer	$63,630/$64,730	$39,000/$45,000	$56,663/$56,120	$57,626/$60,185	$86,285/$89,436
Development Director	$57,675/$57,511	$39,857/$42,713	$55,264/$56,097	$75,159/$74,945	$101,091/$110,805
Chief of Direct Marketing	$60,651/$63,621	$25,000/NA	$49,758/$48,096	$39,175/$47,740	$131,530/$137,453
Director of Volunteers	$37,177/$38,428	$29,400/$32,010	$36,572/$36,767	$41,667/$43,327	$83,333/$85,000
Web Master	$40,499/$35,360	$26,250/$30,000	$34,985/$34,013	NA	$57,855/$51,500
Chief of Technology	$62,085/$60,163	$27,000/$28,000	$49,962/$49,262	$58,867/$66,358	$104,176/$89,708

Special Report by The Nonprofit Times, 2005 Salary Survey.

2004 Regional Averages

	New England	Mid-Atlantic	South	Central	North Central	Southwest	West
Executive Director/ CEO/President	$83,477	$101,400	$85,132	$71,179	$92,030	$79,030	$97,401
Chief Financial Officer	$67,765	$71,183	$56,887	$50,944	$70,586	$47,920	$70,995
Program Director	$49,384	$63,567	$44,665	$46,847	$50,766	$44,900	$60,474
Planned Giving Officer & Major Gifts Officer	$69,600	$60,008	$87,500	$55,200	$63,742	$47,760	$76,092
Development Director	$65,065	$63,500	$52,340	$47,356	$55,317	$48,214	$62,707
Chief of Direct Marketing	$47,000	$62,831	$51,233	$33,144	$95,088	$36,000	$74,416
Director of Volunteers	$28,800	$47,797	$35,000	$31,598	$32,554	$31,000	$44,880
Web Master	NA	$41,501	$65,998	$39,000	$30,000	$30,000	$46,160
Chief of Technology	$66,910	$72,325	$46,500	$37,314	$76,703	$35,000	$60,000

Once you have been offered employment, you are in an opportune position to ask for benefits because the employer has already made it known that they would like to have you join the organization. Benefits, such as increased vacation time, flex time, or tuition reimbursement can make a significant difference to your future finances and are worth asking for up front.

Benefits

Nonprofits may offer better job benefits because they may not be able to offer competitive salaries. While these benefits can further reduce your take-home pay, it is important to understand that benefits such as health insurance ultimately provide future financial security and can increase your quality of life in other ways.

Health insurance: Some employers may pay for all your health insurance premiums, but typically an employee pays for some part of the monthly expense.

However, this can be a cost that you negotiate up front with your employer because it is also a necessary cost for you to take into consideration.

Other insurance: Employers often offer both life and disability insurance, which typically both you and the employer contribute to. These forms of insurance can be a worthwhile investment that will give you peace of mind for your financial future.

Retirement or pension plan: Some employers will pay you additional money based on how many years you have worked at the organization. In the nonprofit world, these plans are typically 403(b) plans. This is an important matter to discuss with your employer, and we will discuss these plans in Chapter 5.

Comp time: Many nonprofits value your personal time as much—or more than—they value monetary compensation. It is possible that you will work atypical hours (outside the Monday through Friday, 8 a.m. to 5 p.m. schedule) without additional compensation (overtime pay) but you can request, or negotiate up front when you are being hired, to be compensated with time off. This time would be in addition to your vacation time and is a valuable benefit.

Flex time: In addition to comp time that you can negotiate, employers are often willing to provide their employees with flexible schedules (outside the standard 8 a.m. to 5 p.m. schedule). This means that as long as you work 40 hours in one week, or sometimes 80 hours within two weeks, you can schedule your hours in the office around your personal schedule (commuting time, child care, another job, etc.). Virtual office hours, or working from home, can be negotiated into this workplace benefit as well.

Vacation: Nonprofit organizations are known to provide employees more vacation time than jobs in other fields. It is fairly standard to receive only two weeks paid vacation during your first years at an organization. A nonprofit organization, however, may offer (or you can request) additional time to offset a lower salary and is a valuable benefit that can increase your quality of life.

Tuition reimbursement: Tuition reimbursement can come in the form of loan repayment or money towards additional education while you are employed at the organization. Often reimbursement is dependent on a grade and the course of study must be considered relevant to your job. Both options are extraordinarily valuable and will save you money in the long run.

Professional development: Another form of investment that organizations sometimes offer is money to pay for professional development activities and the time off to participate. Nonprofit employees can take community classes (not at a college or university) or attend seminars or national conferences that are applicable to their positions and the organization's work. Be sure to ask about any annual stipend that is available for your professional development.

Following is a checklist of the most common employee benefits. It is important that you understand exactly what benefits are offered by an organization. If employee benefits have not been explained to you, a good time to inquire about them is at your second interview. No matter what, make sure you understand the offered benefits and that you accept them before you accept the position. It is a good idea to make copies of all the paperwork you fill out and information you receive for future reference. In fact, it is a good idea to review this paperwork every year that you are with the organization in order to refresh your memory and knowledge of applicable benefits.

Job Benefits Checklist

Health Coverage

State Plans: Available depending on salary

Health Maintenance Organization (HMO):

You are required to use doctors and hospitals that belong to the HMO. Your total cost for a doctor's visit is usually limited to a small co-payment (about $15). Your primary doctor must approve visits to specialists.

Dental Coverage Coverage usually pays the full cost of preventative care (cleaning and checking your teeth once or twice a year) and part of the cost for any dental repair.

Disability Insurance Insurance that will pay part of your lost wages if you are unable to work due to injury or sickness. Most disability plans begin to pay you after you have been unable to work for 90 days.

Life Insurance Insurance that will be paid to your survivors when you die.

Financial Planning Help with your personal planning, such as:

Setting goals, budgeting, and/or credit

Understanding retirement accounts

Understanding government assistance programs

Retirement Program Matching 401(k) or 403(b). Money that you have put into your account is often "matched" by the employer. You do not pay taxes on the money you put in or the interest that it earns until retirement.

Transportation Benefits Some employers will provide free or subsidized passes for public transit. Or, if you drive to work in an area where you must pay for parking, check to see if your employer provides it for free.

Child-care Benefits Some employers have on-site child-care centers that provide free care or care at a reduced rate. Or, your employer may pay part of the expenses of off-site child care.

Tuition Reimbursement Programs Employers may pay all, or part, of your tuition to learn new skills or finish a degree.

Vacation, Holidays, and Sick Leave

Personal Days Days for taking care of family or personal business.

Family Leave Allows time off to care for a newborn, a newly adopted or foster child, or a seriously ill family member. Employers continue to provide health benefits to workers on leave.

Flexible Spending Account (FSA) You direct your employer to deduct a certain amount of money each month from your paycheck, which lowers your taxes. The money can be used for child-care or medical/dental expenses. You must be careful, though—any money left in the account at the end of the year is lost.

Employee Assistance Program Provides counseling services for employees who seek help with problems such as stress, alcoholism, or personal problems on the job.

Other Programs such as adoption assistance, wellness programs (for example: gym memberships), employee mentoring program, or legal assistance may be available.

Cost of Living

We all know that it costs more to live in the heart of New York City or near the bay of San Francisco than in a small town in the Midwest, but how much more? Given your lifestyle choices and the amount of money you have saved, you may be able to live comfortably in any city across the world. Yet, chances are you are moving somewhere for a job—or because you have an interest in the area—but you are lacking a financial cushion to support you for very long, if at all.

Gas Prices at the Pump

From Fueleconomy.gov (3 July 2006 – past one month average)

City	*Price of Gas*
Little Rock, AR	$2.69 per gallon
Nashville, TN	$2.72 per gallon
Denver, CO	$2.80 per gallon
Minneapolis, MN	$2.89 per gallon
Houston, TX	$2.90 per gallon
Portland, OR	$2.93 per gallon
New York, NY	$3.18 per gallon

State Tax Percentage of Annual Personal Income

(Withholding based on 40,000 annual salary with 1 exemption and rounded to nearest whole number)

From taxadmin.org

Denver, CO	4.6% / yr
Houston, TX	4.7% / yr
Nashville, TN	5.7% / yr
Portland, OR	5.9% / yr
New York, NY	6.8% / yr
Minneapolis, MN	8.6% / yr
Little Rock, AR	9.2% / yr

Average Monthly Rent

From Rent.com

Little Rock, AR	$475.00
Nashville, TN	$620.00
Houston, TX	$715.00
Portland, OR	$730.00
Minneapolis, MN	$800.00
Denver, CO	$807.00
New York, NY	$1,600.00

Evening First-Run Movie

From Fandango.com

Houston, TX	$7.50
Little Rock, AR	$7.50
Portland, OR	$8.25
Minneapolis, MN	$8.50
Nashville, TN	$8.75
Denver, CO	$9.50
New York, NY	$10.75

Before you do anything else, visit bankrate.com to review the current standards of living in locations across the United States. For example if you are currently making $30,000 and are moving from Denver, Colo., to Bethesda, Md., for a job that will pay you the same amount, your money will not go as far. However, if you are moving from Boston, Mass., to Portland, Ore., your money will go a lot further if you are able to keep your $50,000 salary in Oregon.

Relocation

If you are thinking of relocating, there are several costs to consider into the financial equation. Depending on if you are moving across the state, across the country, or across an ocean, there are various hard costs that you must be prepared to pay for, including a rental truck, storage, personal transportation, and gas, just to name a few.

Another important consideration is whether or not you will have a job once you arrive. If you do, you will still be without a paycheck for a few weeks until you settle in to your new community and begin your job. If you do not have a job lined up, it is imperative that you have a substantial amount of savings to tide you over until you find work.

> Financial experts recommend that you always have three months' worth of living expenses tucked away in your savings account in case you find yourself unemployed unexpectedly.

Chapter 5

Money Matters

He profits most who serves best.

Arthur F. Sheldon
American businessman

Whether you have just graduated from college or you are looking ahead to the completion of your college career, you have recently made the decision to enter the nonprofit sector. As a result, it is likely that you are feeling very rich and very poor.

We commend your decision to make a difference in your community however you define it. We know that a feeling of richness—from the thrill of learning, from the fact that you have determined what you want to do with your life, and from the possibilities that your life has in store—goes along with your excitement and optimism.

And yet, you also are aware, or are becoming aware, of what people call “the real world.” The real world that consists of real money and real expenses that can leave you feeling really stressed and really poor. Expenses such as rent, car payments, and the ever-daunting student loans are just a few of the considerations you will face when deciding where to live, and more importantly, where to work.

This chapter is designed to walk you through the money management process so that you can begin to take charge of your future and plan for the long term goals you may have, whether that's graduate school, a family, travel, or a house.

Smart Spending

New expenses mean new ways of looking at money, ways perhaps you have never done before. It is important that in this new stage in your life of financial independence, you also begin to see your finances as a planning mechanism to get you from where you are to where you want to be. For each of us, our financial goals vary, but the planning process is the same:

1. **Define your financial goals.**

2. **Make plans to achieve your goals.**

3. **Take action until your goals become a reality.**

Easier said than done, right? Wrong. Your financial goals are attainable, once you learn how to define them and how you can take small steps to reach them. Financial goals can be short term or long term, but they are always specific, measurable, and achievable. For example, you may want to buy a couch that is $300, so you need to save $50 a month for six months to attain your goal.

The chart on this page will help you outline your financial goals so you can start thinking with a financial frame of mind.

My Financial Goals and Dreams

Goal	$ Needed	By (date)	How I will reach this goal

While it might not seem like the most fun way to spend a Saturday night (or any night, or day, for that matter) getting your finances in order is an effective way to get your life in order, too. Knowing where your money is or isn't can help you make smart financial decisions and create habits that will benefit you and your bank account.

The following is a list of financial records that you need to begin tracking. Setting aside one day each week or each month to organize these items will help guide you toward financial security. Most of your record keeping can be done at home with an inexpensive file box. Create the following file folders:

Bill Payments: As bills come in to be paid, place them in this file. Record in a monthly calendar when bills are due.

Checking Account: Place your ATM receipts, debit card receipts, and monthly statements in this file so you can review your expenditures at any time.

Insurance: File your car, medical, life, renter's, etc., policies here.

Loan and Credit Records/Receipts: This file includes loan agreements and payment records for easy reference.

Receipts and Warranties: Keep this file up to date for major purchases.

Savings and Investments: Keep quarterly and end-of-the-year statements filed here.

Taxes: File all current and past W-2 forms here for proof of income taxes.

I find that developing a spending plan, is a helpful tool to have in order to take control of your finances.

A spending plan allows you to monitor and write down your spending each day and review them. Then, you get to decide and prioritize what things you can live without.

When I pared down my list of expenditures, I saved myself more than $1,500 in one year.

Bill
Grant Writer

Review the following income and expenses worksheets. These worksheets will help you organize your records and receipts and record your expenditures for each month. If you can't recall a specific payment, but you know you spent additional money, add this amount in the miscellaneous row.

Identify Income

Sources	Expected Per Month	Actual Per Month
After-tax wages	$	$
After-tax wages from others in household	$	$
Tips or bonuses	$	$
Child support	$	$
Public assistance	$	$
Food stamps	$	$
Social Security or SSI	$	$
Interest on a savings account	$	$
Tax refunds	$	$
Miscellaneous	$	$
Miscellaneous	$	$
Total Monthly Income	$	$

List Expenses

Sources	Expected Per Month	Actual Per Month
Rent or house payment	$	$
Utilities (heat, electricity, water)	$	$
Telephone and/or cellphone	$	$
Groceries	$	$
Transportation (car payment, gasoline, bus fare, parking fees, etc.)	$	$
Tuition or other education fees	$	$
Insurance (car, health, renters, etc.)	$	$
Child care	$	$
Child support	$	$
Snacks/meals eaten out	$	$
Clothes	$	$
Charitable donations	$	$
Credit cards and other loans	$	$
Personal (toiletries, etc.)	$	$
Entertainment	$	$
Miscellaneous	$	$
Miscellaneous	$	$
Total Monthly Income	$	$

Compare Income and Expenses

Your total monthly income	$
Your total monthly expenses	$
Subtract expenses from income and list amount here	$

Was there money left over at the end of the month? Congratulations! If you treat it wisely (like putting it into a savings account), you will be well on your way to reaching your goals. But, maybe, you spent more than you earned. That sometimes happens to all of us. We just have to get back on track.

Getting back on track usually means two things: cutting back expenses or increasing income (or both). Now that you know your expenses, it will be easier to cut them. Remember, if you don't spend it, you don't have to earn it.

Making Change

My ideas for cutting back on my spending:

My ideas for increasing my income:

It might be helpful to make a copy of these charts and put them on your refrigerator or keep a copy in your financial files at home. It will serve as a positive reminder of the hard work you are doing to become financially savvy.

Remember, that knowing what you spend each month is actually only one part of the money-management equation. Let's take a look at where you stand financially at the end of an average month. You have just created your personal spending plan. Consider this your financial road map to help you determine where you will (or won't) spend your money.

The reality of any paycheck you receive is that you can't spend as much as you want on everything you desire. Each of us should create a plan for our monthly income so we can make responsible decisions about where to best spend our earned money.

The most important aspects of establishing a spending plan are setting priorities—sending in your utilities payment versus buying a new CD—and allowing for adjustments such as giving up movie rentals to purchase groceries, or prohibiting personal shopping trips to save for a down payment on a car.

10 Smart Shopping Tips

Consider the following list of spending tips to help you establish a workable spending plan that is feasible and sensible with any size salary:

1. Stick to a shopping list at the grocery store and avoid shopping when you're hungry to limit impulse purchases.
2. Shop for bargains and always compare prices—which also means buy things only if you need them, not just because they are on sale.
3. Look for off-season bargains.
4. Buy generic or store-brand products and use coupons when you can.
5. Buy in bulk for heavily used items.
6. Make meals from scratch instead of eating out.
7. Rent a movie to watch at home instead of going to the theater.
8. Borrow books, magazines, videos, and music from the library. Return the items on time to avoid late charges.
9. Give homemade gifts such as baked goods or arts and crafts.
10. Compare car insurance prices.

The following charts show how even small spending changes can "free up" money to put into savings.

Item	Cost Of Item	Cost Per Month	Cost Per Year
Soft drinks (2 cans bought from a vending machine)	75¢ each or $1.50 a day	$30	$360
Soft drinks (2 cans a day bought by the case from the grocery store and carried to work or school)	29¢ each 58¢ a day (case cost $7)	**$11.60**	**$140**

You could save about $220 a year by buying your soft drinks by the case and then bringing them to work or school. How else could you change your spending decisions and save money? The following chart may help you develop a plan.

Item	Monthly Cost	Changes	Money Saved
Long-distance phone calls	$35	Make fewer calls; use more e-mail	$20
Cable/satellite TV			
Eating out			
Movies/dvds			
CDs/music downloads			
Snacks/convenience store purchases			
Clothes			
Utilities (heat, electricity, water)			
Other			

Understanding Savings

Have you ever tried to save for a rainy day? No matter what sorts of days you foresee, it is important to save for all of them.

1. The first step in saving money is planning for the unpredictable. If you haven't begun to already, start a savings account for emergencies. You never know how the ever-changing landscape might effect hiring or when you will have an unexpected doctor's bill, but at least you will know that you can afford it.

2. Each time you receive a paycheck, put 10 percent into an emergency savings account, 10 percent in your pocket for personal spending, and the rest towards your monthly living expenses.

3. Put any extra money (job bonuses, tax refunds, or raises) into your emergency savings account, so that you have saved three to six months' worth of expenses. When you have reached that savings mark, keep paying yourself that money, this time into a long term savings account. You will be surprised how quickly it adds up and brings you closer to your financial goals.

4. Most banks offer guaranteed certificates of deposit (CDs) in which you can invest a specific amount of money for a specific amount of time at a higher interest rate than a standard checking or savings account offers. CDs are given in terms from one month to five years for varying amounts of money, however it is best to save an amount of money in CDs that you don't need for the deposit's fixed term (such as $1,000 for one year) because you will incur penalties if you withdraw any money from the CD before the term is expired. There are CDs that are more flexible, or liquid, when it comes to withdrawing your money from the CD, but they can also offer less interest, or yield, making them less appealing for the long term.

Remember that a savings account for long term goals should be separate from your emergency fund, but both are equally important. Your savings account can be at the same bank that houses your checking account, but make sure you are comfortable with the bank's financial fees and services. Each month, add a little money from your paycheck into this account for luxuries and goals such as taking a vacation, buying holiday presents, and starting future projects. It is important to always pay yourself first! Ask your employer if a portion of your paycheck can be directly deposited into a savings account. Keeping the money out of sight will result in an easy, manageable way to save money.

Smart Spending

Use the worksheet below to list 10 ways that you could reduce household expenses. Describe the specific action that would be taken, the amount spent currently, and the amount of savings that could reasonably be expected on a monthly and yearly basis. Commom examples are shown below.

	Action to be Taken *EXAMPLES:*	Amount Spent on Monthly Expense	Monthly Savings Possible	Yearly Savings Possible
1.	Make greater use of coupons at grocery	$250	$40	$40 x 12 = $480
2.	Rent fewer videos Check out Videos at the Library instead	$20	$20	$20 x 12 = $240

My Ideas

	Action to be Taken	Amount Spent on Monthly Expense	Monthly Savings Possible	Yearly Savings Possible
1.	______________ ______________	$__________	$__________	$__________
2.	______________ ______________	$__________	$__________	$__________
3.	______________ ______________	$__________	$__________	$__________
4.	______________ ______________	$__________	$__________	$__________
5.	______________ ______________	$__________	$__________	$__________
6.	______________ ______________	$__________	$__________	$__________
7.	______________ ______________	$__________	$__________	$__________
8.	______________ ______________	$__________	$__________	$__________
9.	______________ ______________	$__________	$__________	$__________
10.	______________ ______________	$__________	$__________	$__________

How Savings Grow

Below is a chart showing the differences between each interest rate and monthly savings amount. Finding the right savings program will require research. Start by checking out your current bank or financial institution. For example, a handful of companies will take $25 or $50 a month—if you sign up for some type of automatic investment program in which the money comes directly from a checking account (or savings account) via an electronic funds transfer.

Savings Over 5 Years

Monthly Savings Amount	4%	6%	8%	10%
$25	$1,657	$1,744	$1,837	$1,936
$50	$3,315	$3,489	$3,674	$3,872
$75	$4,972	$5,233	$5,511	$5,808
$100	$6,630	$6,977	$7,348	$7,744
$200	$13,260	$13,954	$14,695	$15,487

Savings Over 10 Years

Monthly Savings Amount	4%	6%	8%	10%
$25	$3,681	$4,097	$4,574	$5,121
$50	$7,362	$8,194	$9,147	$10,242
$75	$11,044	$12,291	$13,721	$15,363
$100	$14,725	$16,388	$18,295	$20,485
$200	$29,450	$32,776	$36,589	$40,969

Your financial future can begin today! If you keep in mind that even small steps can have big results, your financial future will head down a solid path. Here's a list of important money savings reminders:

Pay yourself first by depositing into a savings account on a regular basis.

Get out of debt as soon as possible.

Avoid using credit as much as possible, except for emergencies.

Be a smart shopper: compare, substitute, negotiate, and wait for sales.

Establish (and stick to) a spending plan.

Find ways of celebrating and rewarding yourself that do not involve money.

Always remember your long term goals and dreams.

Only half of American families report that they "almost always" pay off their credit card balance each month. As of December 2005, many of these families face an average credit card balance of $4,616.90, according to the credit bureau Experian.

Understanding Credit

For many people, credit cards are like life support and they simply can't live without them. Avoid credit cards.

However, credit cards also can be essential in setting up and building your credit. Purchasing items on your credit card for emergencies, or paying for rental cars and hotels, or buying other items that you know you can pay off in a relatively short period of time are actually good uses of credit and will demonstrate that you have a secure financial track record when you try to purchase a car or house.

The trick to winning the ongoing battle with credit cards (and it might seem obvious) is to pay off your balance, or at least as much as you can, every month. A good rule of thumb is that if you have a balance on your card, you are probably overspending. While the low payments may be tempting, interest rates are high, and ultimately you end up paying a significant amount more than the original price of your purchases. For example, let's say that you have a credit card balance of $2,200—the average debt amount in the United States. If your credit card company charges you 18 percent interest and a $40 monthly minimum payment, it would take you nearly 10 years and $4,560 to pay off that original $2,200 balance.

A credit card company can use just one late payment as an excuse to boost your interest rate. Plus, when it is time for you to take out a loan for a car or your first home, late payments on a seemingly unimportant credit card balance can prevent you from qualifying for a loan.

On the other hand, a credit card is a great way to boost your FICO credit score and a higher score can be bargaining power for you to lower your credit card interest rate. FICO is the gold standard of credit scores, developed by Fair Issac Corporation (FICO), which determines your interest rate for loans (such as mortgages, cars).

Using Credit Cards Responsibly

There are advantages to using credit cards for travel, safety, and Web purchases. Just be sure to use them responsibly.

Have only one major credit card and use one that is beneficial to your lifestyle (such as an airline mileage card, an American Express card that requires you to pay the monthly balance, or one that rewards you for paying off your card balance).

Get rid of individual store credit cards. They often charge the highest interest rates.

Shop around for a credit card that has no annual fee and a lower interest rate. Check out bankrate.com for the latest credit car information.

Use the credit card only for emergencies.

To avoid interest rate charges, pay off your entire balance each month.

Avoid cash advances on a credit card because interest begins accruing immediately and typically at a very high rate.

We know it can be tempting to overspend when you are settling into a new job and a new salary. While we recommend living within your means, we also know that it is not realistic to think you will never splurge or overspend your monthly budget. Transferring your credit card balance to a different card with a lower interest rate, or a special introductory rate for balance transfers, is a smart way to reduce your debt costs. Make sure to find out what the interest rate will be after the introductory period and if your current credit card company will charge a fee for the transfer.

The following three charts show: the high cost of keeping a credit card balance, how paying more than the minimum amount can reduce the cost of using credit, and how the rate charged affects the interest you'll pay.

Credit Card Balance	Annual Interest Rate	Minimum Payment	Time It Will Take to Pay Off Debt	Total Cost
$2,000	18 percent	$40	7 years, 9 months	$3,720

If you pay more than the minimum payment on your credit card bill, you can save thousands of dollars in interest. For example, if you owe $1,000 on a credit card and pay the minimum rate at 18 percent, it will take you almost eight years (94 months) to pay off the debt and you will have paid a total of $1,880. The chart below shows that if you:

Add To Each Payment	**You'll Save**	**Pay Off The Bill This Much Sooner:**
$5	$330	32 months
$15	$550	54 months
$25	$620	64 months
$50	$690	75 months

Look how much you could save on a $1,000 credit card purchase if you shop around for a card with a lower rate.

Rate	**Number Of Months/Years To Pay Off Debt***	**Interest Amount Paid**
18%	90 months (over 7 years)	$804
17%	84 months (7 years)	$704
16%	79 months	$619
15%	76 months	$546
14%	73 months	$482
13%	70 months	$425
12%	67 months	$373

*Assumes a minimum payment of $20.

Building Good Credit

Building credit is an important step in the process of maintaining good credit. You have probably heard the term "good credit." What exactly does it mean if someone has good credit? It means that you pay your bills and loans on time, every time.

As soon as you apply for a credit card, there are companies that begin to track your spending history as well as your payment history. This credit report is used by banks when determining whether to give you a loan, by landlords when determining if they will rent their property to you, and sometimes by employers during a background check.

It is a financially savvy idea to request your credit report at least once a year to ensure that it doesn't contain incorrect information. You can contact one of the following agencies to request a report. It is a good idea to obtain a report from all three. Depending on what state you live in, there may be a processing fee to obtain a credit report.

Equifax: 1-800-685-1111, www.equifax.com
Experian: 1-888-397-3742, www.experian.com
Trans Union: 1-800-916-8800, www.transunion.com

Boosting Your Credit Score

No matter what your credit report states, there is always room for improvement.

Pay basic expenses, such as rentand utilities, on time.

Make loan payments on time.

Pay loans before you spend money elsewhere.

Only apply for credit that you need.

Don't bounce checks.

Use a credit card to establish good credit by paying off your balance every month or keeping the balance low.

The National Foundation for Credit Counseling provides help to people with serious debt and credit problems. For more information, call 1-800-388-2227 or visit www.nfcc.org.

Protecting Yourself from Identity Theft

With so much money out there in the world to earn, save, and invest, it is not a surprise that other people would want some of your money. Identity theft is a growing concern, but following a few easy steps will help protect you and your hard-earned money. We certainly have not come this far helping you save and spend your money to have it taken away through identity theft.

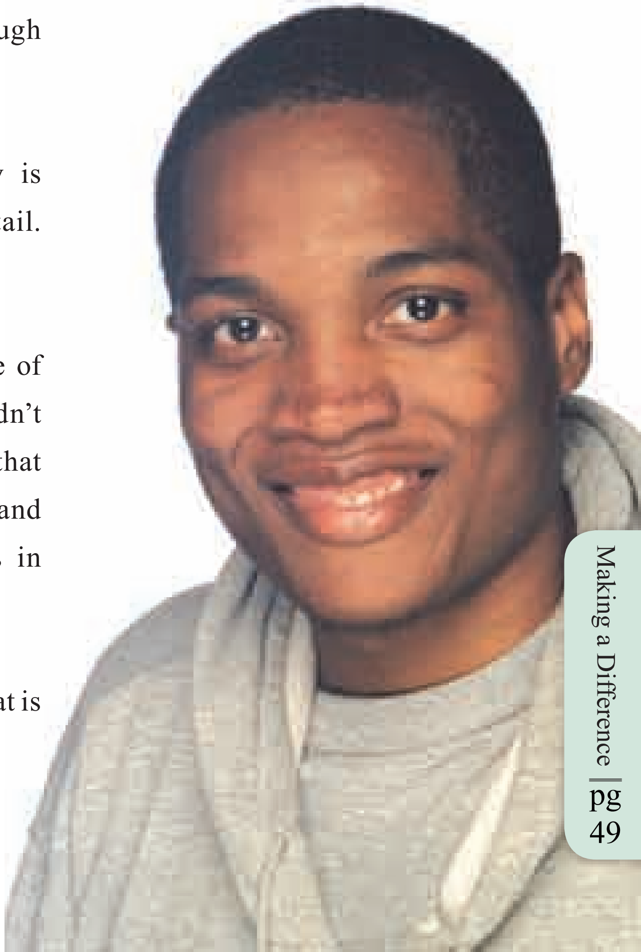
1. **Create an ID Center** In a locked box, store the following: credit cards you're not using, blank checks, and photocopies of the front and back of your credit cards and ID documents.

2. **Keep Control of Your Mail** Make sure you're the only one handling your mail. When you make payments, don't put them in a mailbox with the flag up. Drop the bills in a post-office mailbox or pay bills online. Be sure you are paying your bills through a trusted financial institution; many offer online bill paying that is secured through your checking account. Be wary of offers to pay bills through a third-party resource.

3. **Check your paperwork** Know where your money is going. Watch your credit card statements in detail. Monitor your phone bill and credit bureau reports.

4. **Watch for notices in the mail** Look out for a notice of default on your mortgage or a mortgage that you didn't know about. This is one of the worst forms of fraud that can hit a consumer. Look for notices of unpaid bills and collections statements. Open everything that comes in the mail first class.

5. **Protect your computer** Keep an anti-virus program that is up to date and a firewall on your system.



> **Success is to be measured not so much by the position that one has reached in life as by the obstacles which he has overcome.**
>
> Booker T. Washington
> Renowned Civil Rights activist

CHAPTER 6

Looking to the Future

Throughout this booklet, we have provided you with information on and options for saving your money. Now we are going to discuss how to best use your money so that it will come back to you many times over.

Investing

If everyone had unlimited income, they would have no need to save or invest money. They would simply buy whatever they wanted, whenever they wanted to. Of course, very few people can afford to do that. Instead, we must all make choices about how we want to spend our money.

People set aside money in two ways: saving or investing. Typically, people save for short term goals (such as planning for a vacation) and they invest for long term goals (for example, purchasing a house).

The difference is that investing adds an element of risk not present in savings—the risk of losing some of the original investment (called principal). But at the same time, the reward of investing can be substantially higher so people find that it is worth it over the long term to invest.

$13 vs. $1,300

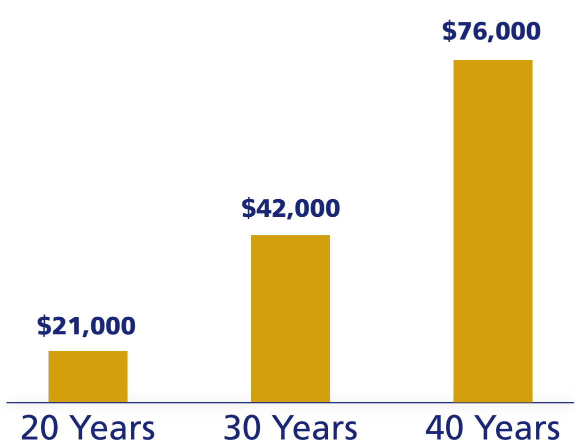
Consider these long term compounded returns:
If you had invested a single dollar in a U.S. Treasury bill in 1926 and left it invested until 1996 (a span of 70 years) it would have earned a total of $13.54.

That's about what a dollar in a savings account would have earned. A dollar invested in a long term government bonds would have earned $33.73 during those same 70 years. But the same dollar invested in the stocks of large American companies would have grown to about $1,370.95.

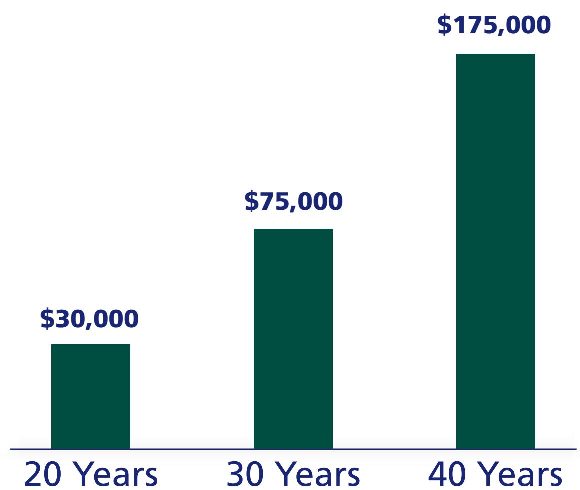
The following outlines the most common ways you can begin to invest your money. It is a good idea to research these options on your own and talk to a financial professional at your organization or in your community. Some nonprofit organizations work with professionals who are skilled in helping people in similar financial situations as yours. A good place to seek out financial planning guidance is in your HR department or through your financial institution.

The real power of money is that it can grow dramatically over time—if you save it in the first place.

For example, let's say you put $50 into a special account each month. We'll assume that the account is a retirement fund, such as a 403(b) plan at work, so you do not have to pay taxes on it until you retire. If the money you put into the account earns 5 percent interest, that account will grow to about:



Better yet, let's say that your account earned 8 percent interest a year on the $50 that you put into it each month. This interest rate is quite possible if you invest some money in stocks and mutual funds. Here is how your money would grow:



Imagine! Only $50 a month could grow to $175,000 in 40 years. But, if you wait another 10 years and have only 30 years to reach $175,000, you will need to save $117 each month if you earn the same 8 percent per year.

The bottom line: it pays to start saving now, even if you start saving small.

Bank and credit union savings accounts

The federal government insures savings at banks and credit unions, which makes them one of the safest places for your savings. However, the trade-off to safe investments is that they generally pay a very low interest rate compared to other investment options, thus not providing as much of a return on your initial investment. These investments are typically best for short term goals, like saving for a house down payment or an upcoming vacation.

Mutual funds

When you invest in a mutual fund, the mutual fund company uses the money to buy shares of stocks and bonds of many different companies. Therefore, your money that is invested in stocks follows the trend of the stock market—when the market is up, so is your money, but when the market is down, your money is down as well. Unlike an account at a bank or credit union, this money is not insured by the federal government, making this a riskier investment but with a greater return on your initial investment. Mutual funds are often suggested as the form of investing for long term goals such as retirement.

Individual stocks and bonds

You also can purchase individual stock and bonds, but this is the riskiest form of investing because your money is directly tied to a company that may or may not be financially successful.

Appreciating Compound Interest

Two very important financial concepts account for the dramatic growth in an investor's dollar: time and the power of compounding interest.

Compounding is when the money you save or invest works for you. If you put money in a saving's account, you earn interest on that money. If you leave the interest in the account, instead of spending it, you earn money on both the principal and on the interest the principal has already earned. Over time, you are earning money on a bigger and bigger pile of money.

The same principle applies to investments that earn a profit. Reinvest the profits and the investment compounds. The higher the interest rate or the profit, the faster the money grows.

Imagine the following scenario: Alice starts investing $1,000 a year at the age of 22 in a tax-deferred individual retirement account (IRA). Tax-deferred means the earnings and the principal aren't taxed until the money is withdrawn, usually years later. Alice quits putting money in the IRA after nine years, at age 31, but leaves her money invested so it will grow through compounding until she retires at age 65.

Her twin brother, Pete, doesn't start investing until age 31. Once he does, he invests $1,000 in his IRA every year for 34 years, until he reaches age 65. Alice and Pete both earn 9 percent annually on their IRA.

Review the following chart to see who has accumulated more money for retirement at age 65. It demonstrates the time value of money and why it pays to start investing early. Note that despite the fact that Pete invests for a greater number of years, Alice ends up with more money by age 65 because she started investing earlier.

	Alice's IRA	Pete's IRA
Interest rate	9%	9%
Number of years contributions were made	9 years (age 22 to age 31)	34 years (age 31 to age 65)
Amount contributed	$1,000 per year for 9 years = $9,000	$1,000 per year for 34 years = $34,000
Value of IRA at age 65	$243,863 at age 65	$196,982 at age 65

The chart illustrates the importance of beginning your savings and investing plan as early as possible. In fact, for every 10 years you wait to begin investing, you will have to set aside three times more money to catch up.

Right now, you may be thinking that saving for your monthly bills, much less your future, is impossible. These charts hopefully demonstrate that it is important to start somewhere, no matter how little money you can initially invest in your emergency fund or in more financially aggressive accounts discussed in this chapter—the payoff will be worth your efforts.

Savings vs. Investing: A Comparison

	Interest Rate	1-year total	10-year total	20-year total	30-year total
Savings account	1.5%	$101.50	$116.05	$134.69	$156.31
Money market	2.5%	$102.50	$128.01	$163.86	$209.76
CD	3.75%	$103.75	$144.50	$208.82	$301.75
Mutual Funds	8.0%	$108.00	$215.89	$466.10	$1,006.27
Stocks	11.0%	$111.00	$283.93	$806.23	$2,289.23

Understanding Retirement Plans

A benefit to working for some organizations is the ability to plan financially for your future. Known most often as retirement programs, these plans will help you and your family (even if you don't have one yet!) live comfortably long after you retire from working.

401(k) Plan: Perhaps the most popular type of retirement plan, this option is an easy way to start saving for the future. You set aside a percentage of your paycheck to invest in a money market fund, a bond mutual fund, and a stock mutual fund or company stock. A company consultant will walk you through the process to determine what is best for your financial situation. It is important to identify the risks and rewards with each fund and when you will need the invested money.

An important aspect about 401(k) plans is that the money is not taxed until you withdraw the funds, which allows the interest on the account to grow substantially, creating a means to live on when you retire. As a general rule, this means that it is not wise to withdraw any money from your 401(k) plan before age 59 because of the significant penalty your account will receive. Be sure to ask the company consultant what the penalties are and how long it takes for employer contributions to the account tobe vested and what restrictions are imposed on withdrawals.

Most companies will encourage their employees to participate in 401(k) plans by matching employees' contributions. For instance, an employer will often contribute 25 cents, 50 cents, or a dollar for every dollar you contribute. Generally, you need to "vest" in the money the company contributes (for example, if you stay with the company three years, you receive 50 percent of what the company contributed but if you stay seven years, you receive all of it). Therefore, it pays, literally, to contribute as much as you can! Of course, there are limits to how much an employee can contribute annually.

403(b) Plan: A plan that is specifically for nonprofit companies, which is a tax-sheltered annuity (TSA). This plan is similar to a 401(k) plan. Employees pay no taxes on their contributions or the earnings thereafter until these monies are distributed. However, there are limits on how much an employee can contribute annually.

Individual Retirement Account (IRA):

Some companies do not offer retirement programs to their employees, but that doesn't mean you shouldn't save on your own. IRAs offer individuals the option to put up to $4,000 in a tax-deferred account so you can begin saving for retirement.

ROTH Individual Retirement Account (IRA):

A smart investment especially for young professionals because the money appreciates at a higher rate and the penalties are significantly less for withdrawing money—meaning that the end result is significantly higher as well. For instance, if a 25-year-old contributes $4,000 each year until she retires and makes an average annual return of 8 percent on her investment, she'll have more than $1.1 million saved by the time she retires at age 65. In contrast, if that same 25-year-old invested that same $4,000 a year in a regular taxable account earning the same 8 percent return, she'd only have about $802,000 after 40 years if her earnings were taxed at 15 percent. That's more than one-fourth less money than if she'd gone with the Roth IRA. Roth IRA contributions are limited by a person's salary, making it most advantageous to lower incomes to contribute the full $4,000 permitted annually by the government.

Personal Savings and Investments: An independent option for individuals planning for their future. Banks offer a savings account, money market funds, or a certificate of deposit (CD). While these are a safer option than some investments, these types of accounts will not increase in value nearly as much as stocks, bonds, and mutual funds. Moreover, personal savings and investments will be taxed each year.

Health Savings Account (HSA): A special account owned by an individual in which tax-free contributions to the account are to pay for current and future medical expenses.

Socially Responsible Investing (SRI): An investment process that considers the social and environmental consequences of investments, both positive and negative, within the context of rigorous financial analysis. Social investors include individuals, businesses, universities, hospitals, foundations, pension funds, corporations, religious institutions, and other nonprofit organizations that intentionally put their money to work in ways designed to achieve specific financial goals, while pursuing a future based on sustainability and the needs of multiple stakeholders, including employees, their families, and communities.

According to the Social Investment Forum, SRI is one of the fastest growing investing trends, and may be the most appealing for people who are invested professionally in the nonprofit sector and who are seeking to be invested financially.

What is important to remember is that saving for your retirement is better than NOT saving at all. Think through the different options to determine what is best for you and your budget. No matter what you choose, you are choosing to invest in yourself and your future.

10 Long term Financial Management Tips

1. **Set your personal goals.** Do you want to buy a home? Take a vacation? Spend more time with your family and friends? Get more education? Getting a handle on your financial life allows you to reach the goals you have set for yourself.

2. **Understand your income.** A first step in financial planning is to know what your income is. Be sure to include all sources of income, whether you receive it regularly (salary from a job) or irregularly (gifts or repayments on a loan).

3. **Understand your expenses.** Expenses can also be regular (rent or mortgage due every month) or irregular (car insurance due every three months). Remember to include the "non-billed" expenses, such as groceries, bus fare, clothing costs, etc.

4. **Create a spending plan.** A spending plan, or budget, lets you decide how you will spend your money and how much you need each month to cover your expenses. Spending plans are particularly useful for reaching the goals you have set for yourself, whether those goals are short term (buy a new chair in three months) or long term (buy a house).

5. **Develop a debt repayment plan.** List all the companies and individuals to whom you owe money and how much money you owe. Then decide how much you must pay each month and when the payment is due. Pay off debts with the highest interest rates first. While you are paying off your current debt, try not to borrow any more money.

6. **Spend less than you make.** The only way to save money is to have more income than expenses. By spending less money than you make, you will be able to invest for long term financial security.

7. **Pay yourself first.** Some people set a goal to put aside 5 to 10 percent of their money, or $5 to $10 for every $100 they earn.

8. **Take advantage of employer benefits.** Your employer's benefits can be worth a lot of money, sometimes as much as 30 percent more than your salary. That's like receiving $30 for each $100 you earn.

9. **Plan for retirement and contribute to a tax-favored plan.** Investing for retirement is an important long term goal. Why? Because Social Security will cover only part of the cost of living after you stop working. If your employer has a retirement fund, they may also contribute money into your plan as part of your benefits. Retirement plans provide great tax advantages that allow your savings to grow quickly.

10. **Buy appropriate insurance.** There are lots of different types of insurance you can buy (health, disability, auto, life, homeowner's, renter's). There are lots of choices for each type of insurance. Taking some time to learn about insurance can save you money.

To love what you do and feel that it matters, how could anything be more fun?.

Katharine Graham
Owner & Publisher
Washington Post

Conclusion

As you take your first steps post college, we hope you use this booklet as your financial companion because we believe it can help guide you towards financial understanding and success. We hope that as you continue on your journey, this booklet will help you feel more confident that you can achieve your financial goals as you work to make the world a better place.

When I first started teaching, it was a very tough time financially for my husband and me. I was doing what I loved, but I was frustrated that I didn't make enough money to pay for what I thought were the "basic necessities."

However, this experience has taught me a lot about what we actually need and what we can do without. It has taught me how to be more responsible with money and to establish priorities. I know how truly blessed I really am and how life is so much more about happiness than it is about money and material wealth.

Jennifer

Teacher

Financial Resources

Hundreds of organizations, books, and Web sites can assist you on your journey in the nonprofit sector. The following will get you started.

Organizations

Action Without Borders
www.idealist.org

Alliance for Investor Education
www.investoreducation.org

Consumer Information Center
www.pueblo.gsa.gov/money.htm

Internal Revenue Service
www.irs.gov

National Endowment for
Financial Education
www.nefe.org

National Foundation for
Consumer Credit
www.nfcc.org

University Financial Aid Offices

The Venture Consortium:
www.theventureconsortium.org

Written Resources

The 15 Second Principle: Short,
Simple Steps to Achieving Long term Goals
by Al Secunda
2004, Berkeley Books, Berkeley, Calif.

Live Well on Less Than You Think
by Fred Brock
2005, Times Books, New York.

The Money Book for the
Young, Fabulous and Broke
by Suze Orman
2005, Riverhead Books, New York.

Saving on a Shoestring
by Barbara O'Neil
2003, Dearborn Trade, New York.

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NEFE is an independent nonprofit organization committed to educating Americans about personal finance and empowering them to make positive, sound decisions to reach their financial goals. NEFE prides itself on the programs and publications it provides to all constituents, but especially those targeted to young people, who hold the promise of a stronger and healthier society in their hands. The National Endowment for Financial Education, NEFE, and the NEFE logo are federally registered service marks of the National Endowment for Financial Education. For more information about the National Endowment for Financial Education, visit www.nefe.org.

Action Without Borders connects people, organizations, and resources to help build a world where all people can live free and dignified lives.

Action Without Borders is independent of any government, political ideology, or religious creed. Their work is guided by the common desire of our members and supporters to find practical solutions to social and environmental problems, in a spirit of generosity and mutual respect.

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