
Financial Literacy for Restaurant Workers

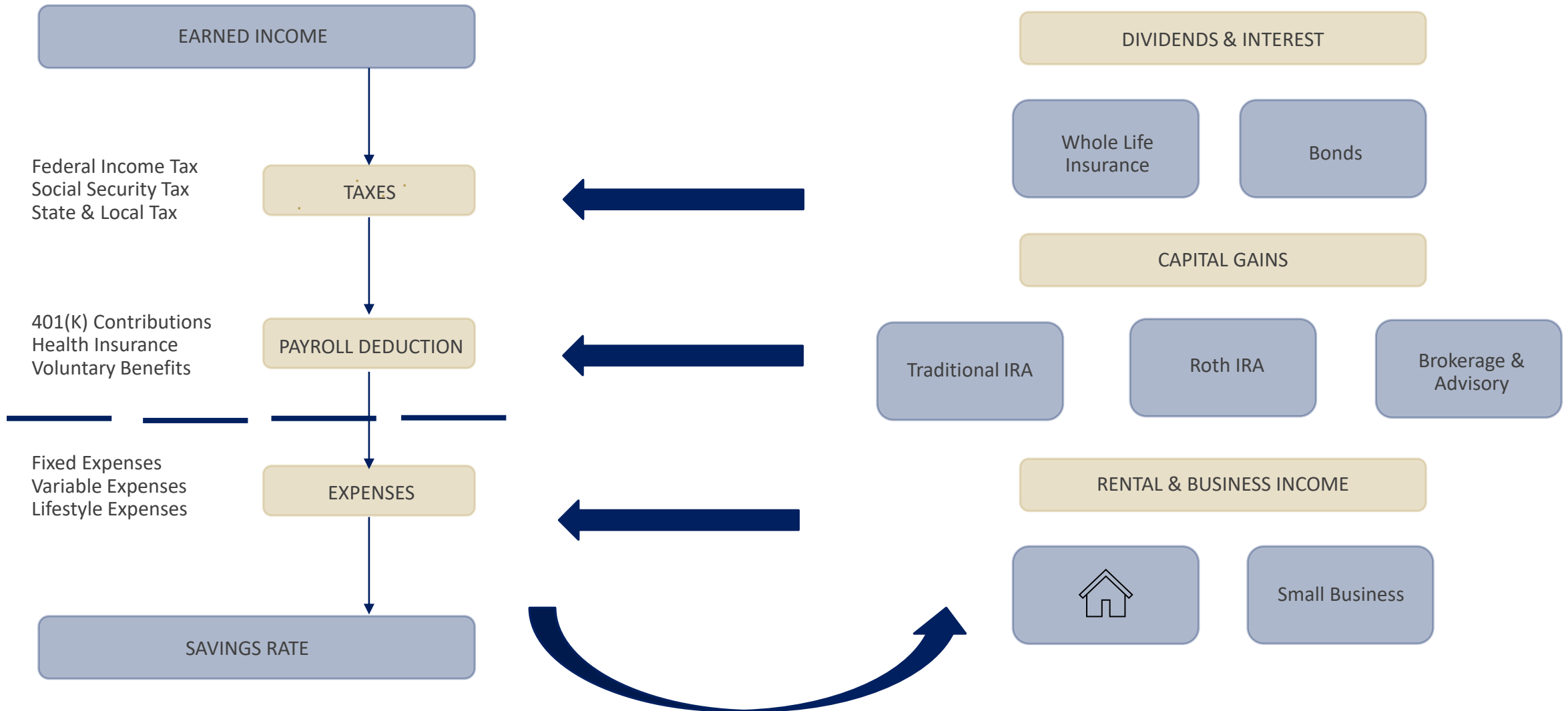
with Olivia Allen, Financial Advisor



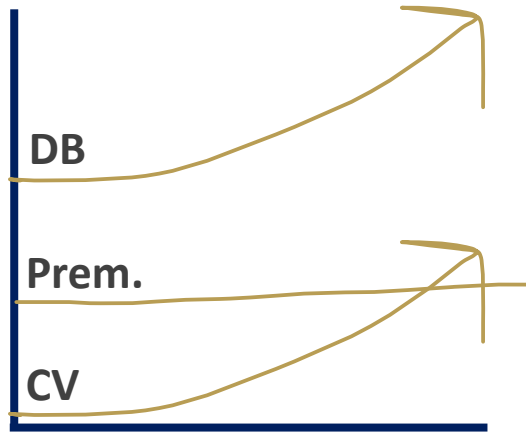
Overview

1. Variable income savings strategy
2. Cash flow engines
3. Widening the gap between income and consumption
4. Q&A

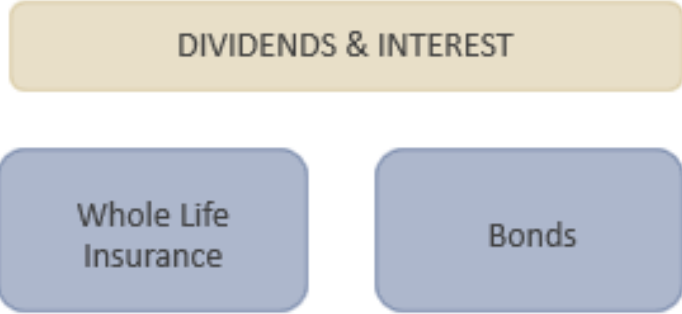
From Savings to Building Wealth



Whole Life Insurance



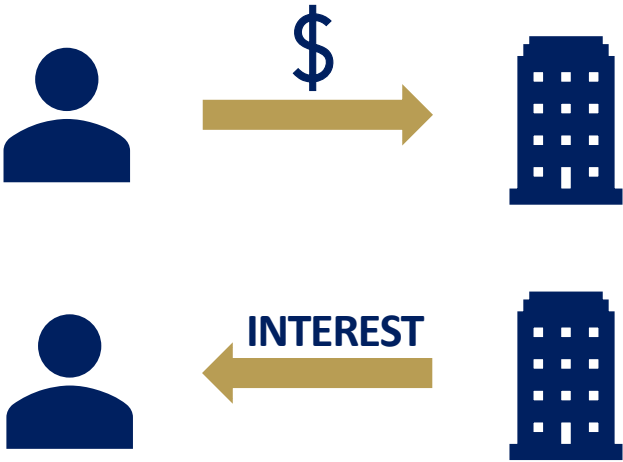
- Death benefit passes income tax-free to loved ones
- Accessible living asset, insulated from market fluctuations
- Guaranteed rates & values
- Possible uses for cash value: down payment on home, college funding, retirement income



Dividend – distribution of profits from a corporation to its shareholders

Interest – the cost you charge to lend money

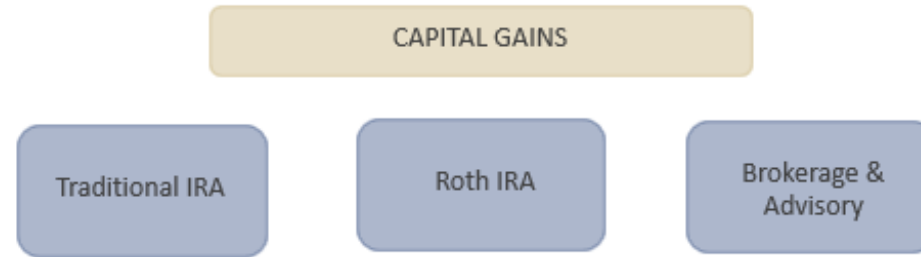
Bonds



- Fixed-income instrument
- Think opposite of a personal loan
- Corporate or federal

Stocks

- type of security that gives stockholders a share of ownership in a company



Mutual Funds

- Basket-like investment that is made up of multiple securities (portfolio)
- Provides exposure to expensive securities if you cannot buy outright
- Actively managed

ETFs

- Similar to mutual fund
- Passively managed
- Typically lower expenses

Capital Gains – the profit gained from selling or trading a capital asset

Examples: stocks, bonds, cryptocurrency, real estate, and collectibles

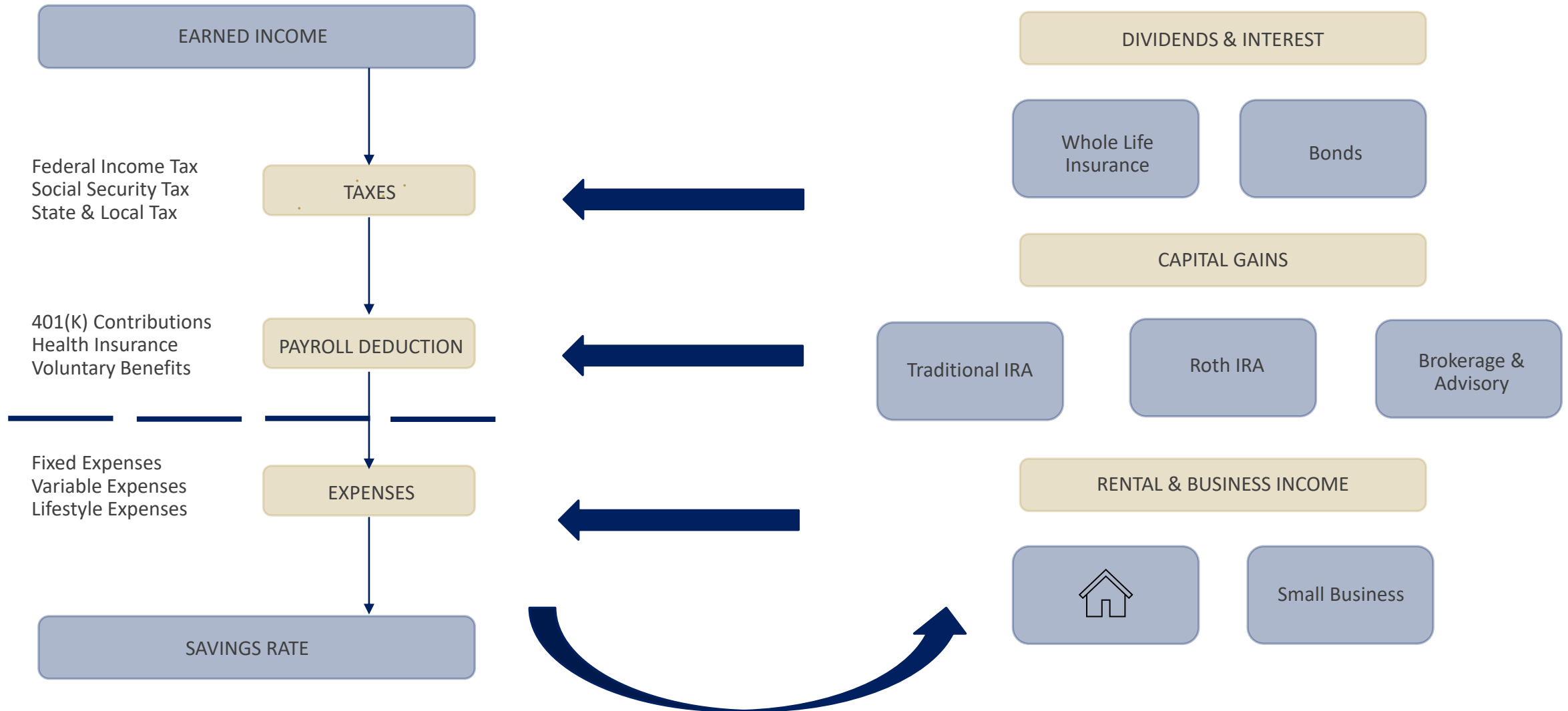
Taxation of Capital Gains

- More efficient than income tax (0-15% in 2022)
- Generally realized for tax purposes when you sell a capital asset

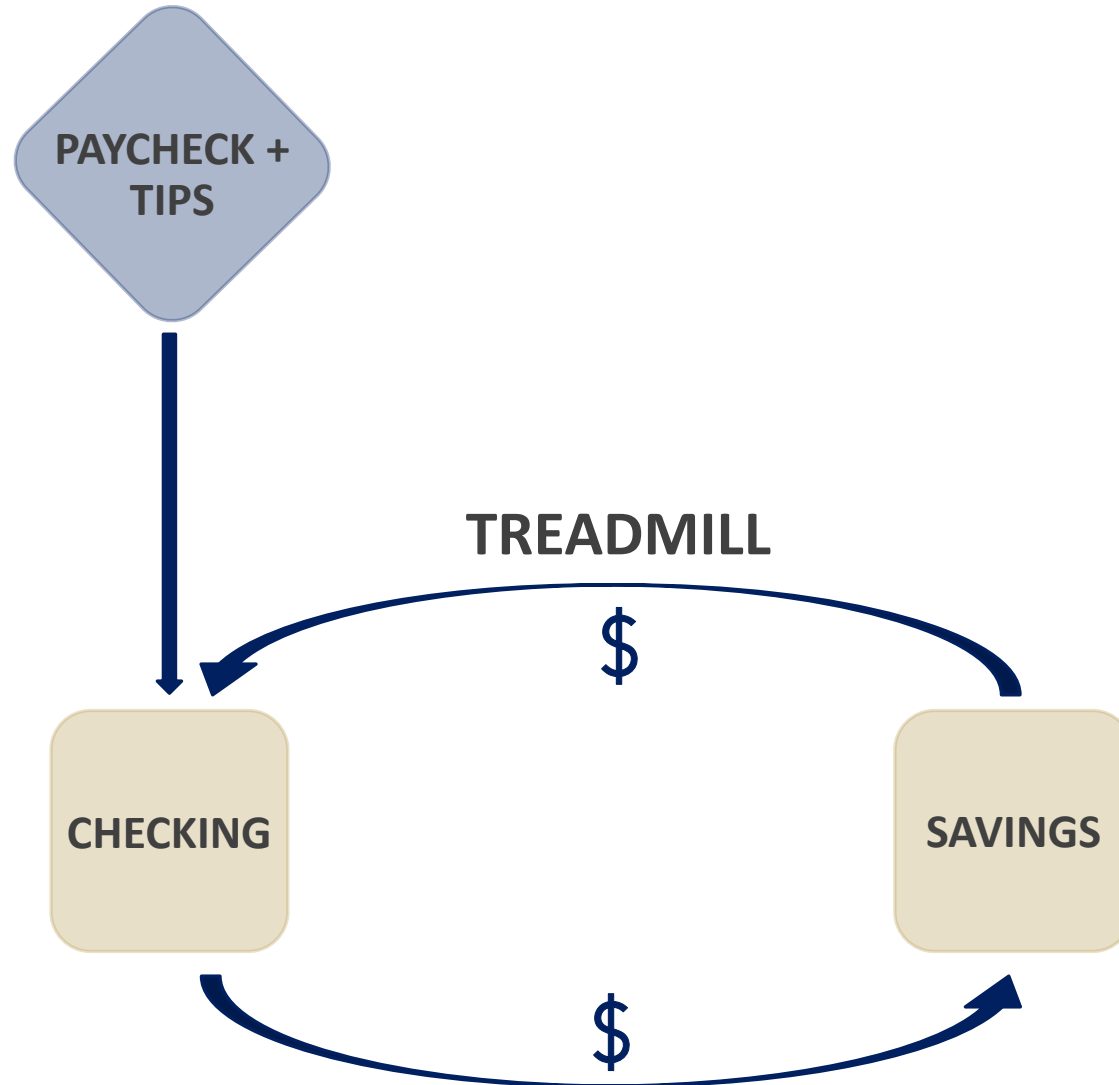
Retirement Accounts

- Most commonly comprised of stocks, bonds and mutual funds
- Annual contribution limits
- Cannot remove funds before age 59.5 without penalty, with some exceptions
- Tax-favored treatment of gains
 - Traditional IRA** – tax-deferred
 - Traditional 401(K)** – tax-deferred
 - Roth IRA** – tax-free
 - Roth 401(K)** – tax-free

From Savings to Building Wealth



Traditional Savings Model

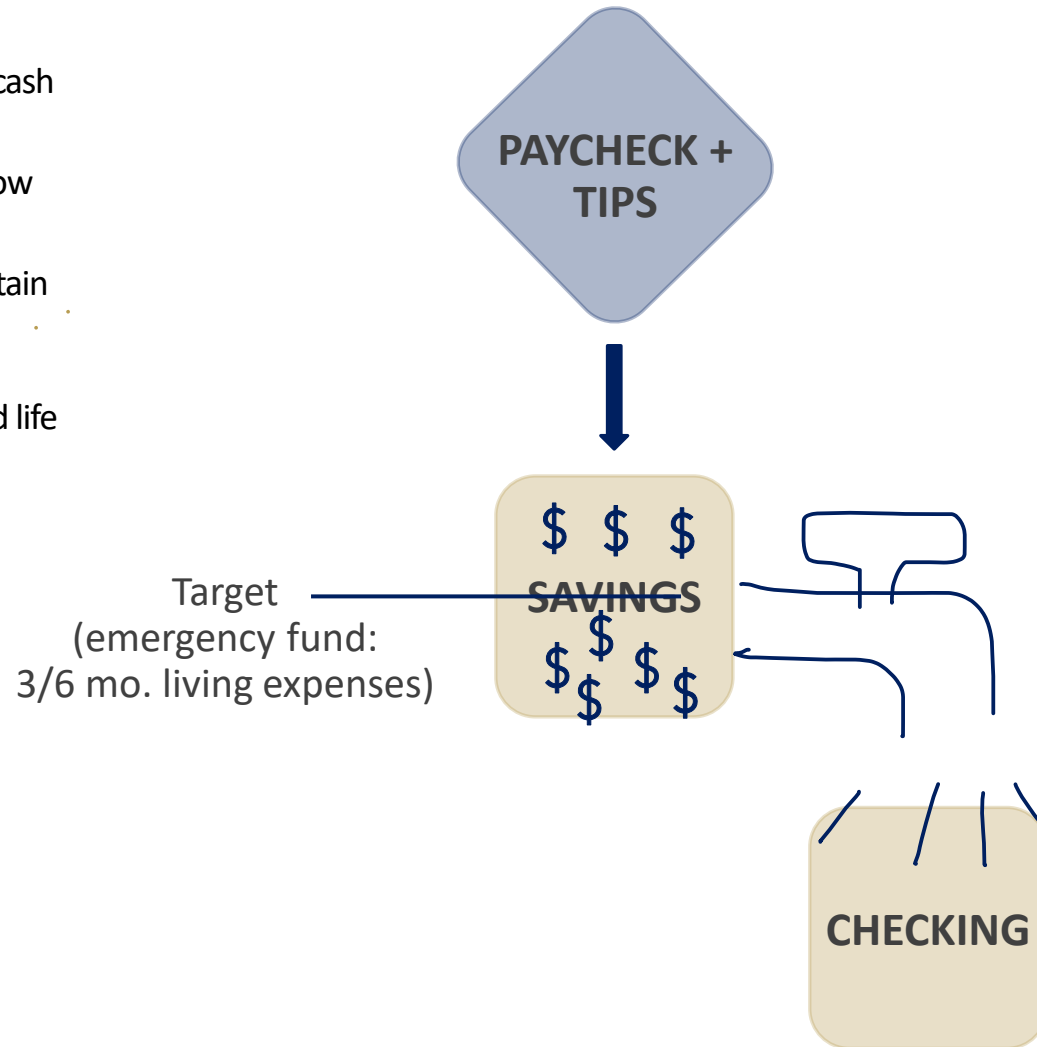


**LEVEL
SAVINGS**

Wealth Building Model

Benefits

- Understand your true available cash flow for savings
- Less financial pressure during slow months
- Confidence in your ability to sustain contributions to various savings vehicles
- Ability to respond to unexpected life events



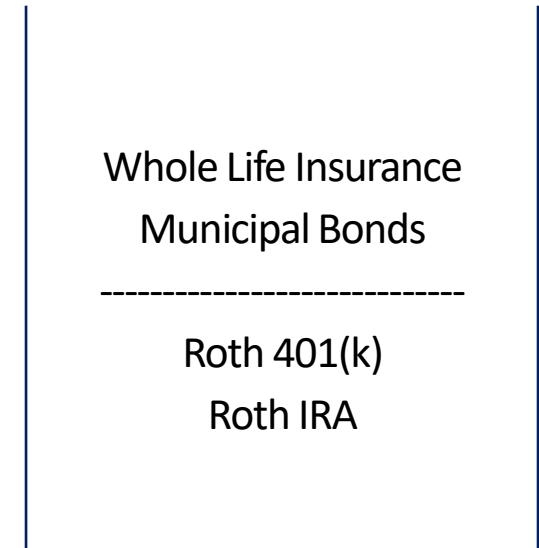
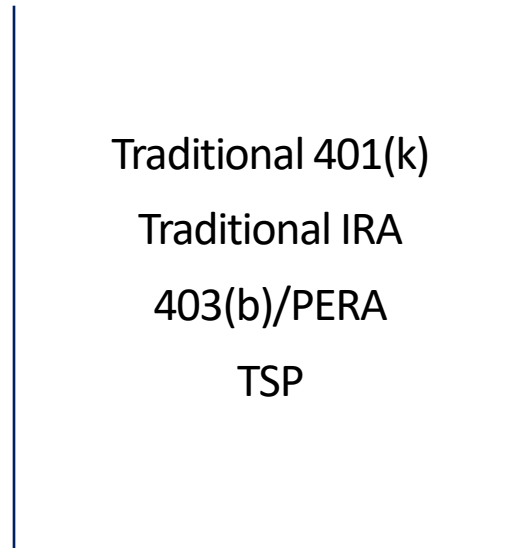
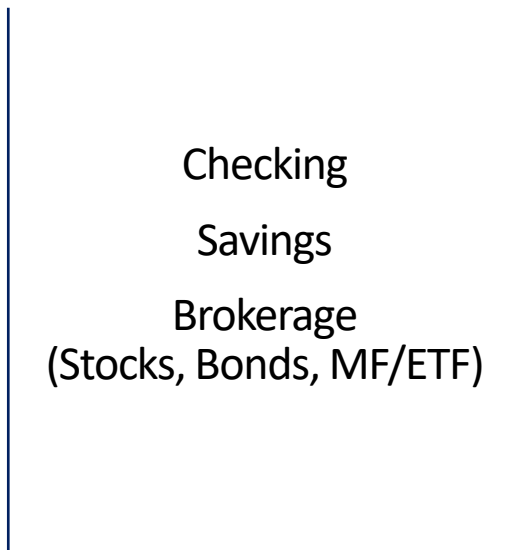
LEVEL EXPENSES

\$500

Short Term
Taxable

Long Term
Tax-Deferred

Mid Term
Tax-Free



$$\begin{array}{r} \$100,000 \xrightarrow{15\%} \\ \$500,000 \\ - \$60,000 \\ \hline \$440,000 \end{array}$$

$$\begin{array}{r} \$100,000 \xrightarrow{30\%} \\ \$500,000 \\ - \$150,000 \\ \hline \$350,000 \end{array}$$

$$\begin{array}{r} \$100,000 \xrightarrow{\quad} \\ \$500,000 \\ \hline \$500,000 \end{array}$$

Widening the Gap

REFINANCING

- When is the last time you checked the interest rate on your:

Student loans
Auto loans
Personal loans
Mortgage

- Potentially lower your monthly payment and long-term interest obligation
- Utilize credit unions

DOWNSIZING

- How much house is too much house?

Mortgage no greater than 15% of annual income

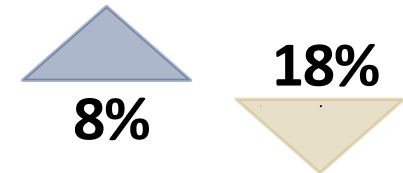
- Can I afford my car?

Auto payment & insurance no greater than 10% of annual income

- Don't own either yet? Stack cash first

DEBT CONSOLIDATION

- 0% APR for "x" amount of months
- Low interest rate personal loan (credit unions are your friend)



- Give yourself runway to build liquidity while fulfilling obligation to lender

Widening the Gap

CREDIT REPAIR

- May be necessary before looking at refinancing or debt consolidation
- 650+
- Get your free credit report and assess BEFORE applying
- Top 3 credit impactors:

On-time payments
Utilization ratio
Lines of credit

REDUCE PREMIUMS

- Emergency fund established?
Increase your deductible on health and auto insurance
- Liquidity = ability to respond to unexpected events
- Higher deductible = lower premium = more cash available now to put to work

GET REAL

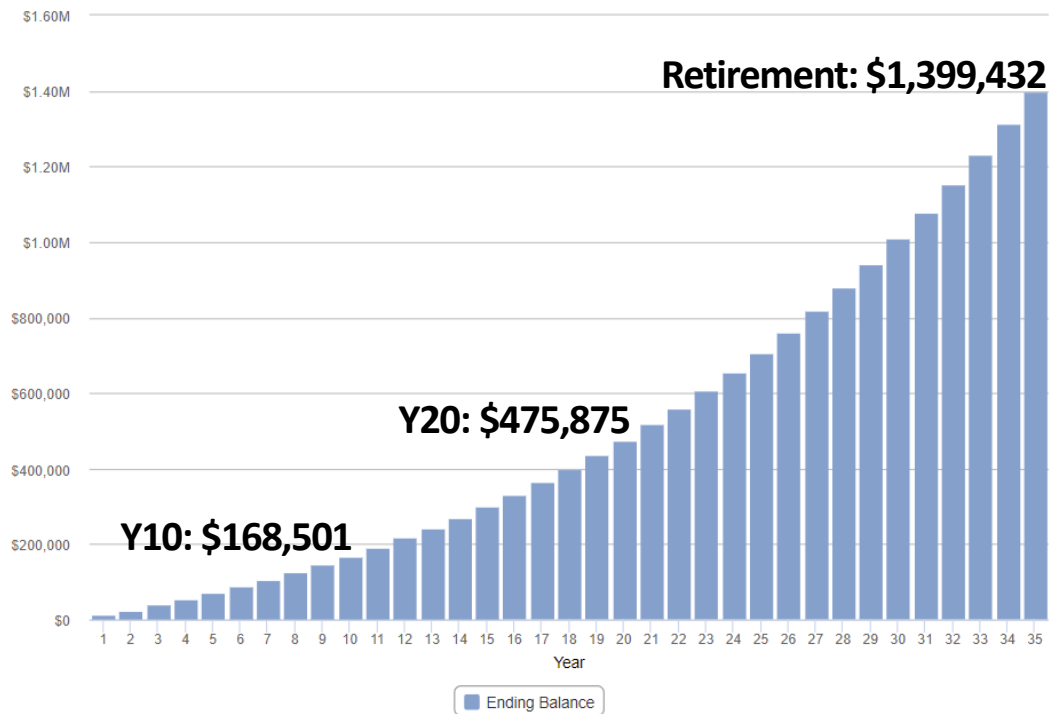
- Understand your monthly spending
- Sleep on big purchases
- Wind back the lifestyle incrementally
- Consciously separate income from consumption

1 Degree of Separation

Asset Value: Net Rate of Return: % Study Period (in years):

Description	Type	Amount	% Increase	Start Year	End Year
Income	Inflow	\$60,000	4	1	35
Expenses	Outflow	\$48,000	4	1	35

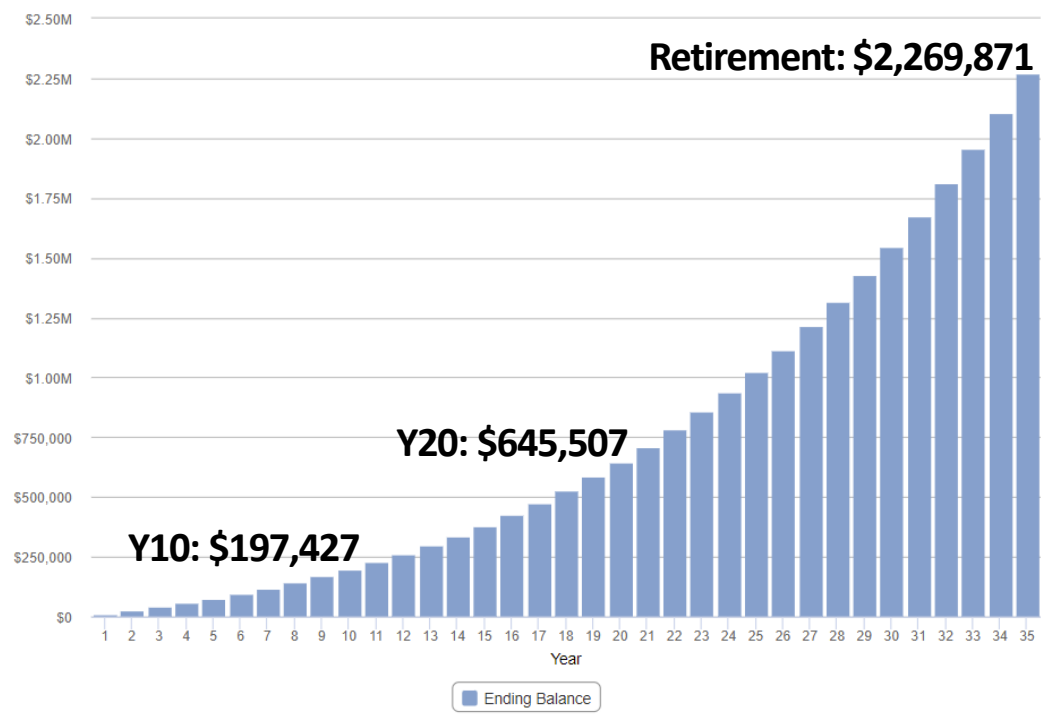
Future Value



Asset Value: Net Rate of Return: % Study Period (in years):

Description	Type	Amount	% Increase	Start Year	End Year
Income	Inflow	\$60,000	4	1	35
Expenses	Outflow	\$48,000	3	1	35

Future Value



Q&A

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