

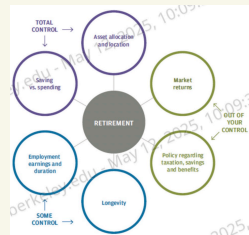
IN CA: money  
AFTER getting married  
= community property  
BEFORE getting married  
= separate property

# Taxes

## Income

- income taxes = wages  
capital gains  
interest  
dividends  
tips
- payroll taxes = social security  
medicare  
medicare surtax
- consumption
  - sales taxes
  - excise taxes
  - tariffs
  - customs duties
- wealth
  - property taxes
  - estate taxes

- Progressive: higher income = higher % of income in taxes
- Regressive: lower income = higher % of income in taxes



- 50%: income tax
- 36%: payroll tax
- 7%: corporate income tax
- 8%: excise estate & other taxes

Withholding = portion that is deducted from paycheck

Payroll tax = FICA = social security + medicare

Itemized deduction = mortgage, charitable, unreimbursed medical exp

Standard deduction = normal default deduction

Marginal rate = highest bracket you reach

marginal tax brackets = taxed at diff rates for diff portions of income

- 10%: on first 10k
- 12%: on income from 10-40k
- 22%: on income from 40-50k

Effective rate = total amt of tax you pay divided taxable income

Credit: reduces what you owe dollar for dollar

Deduction: decreases taxable income

## Home buying

Financial breakeven: ~ 6-10 years

Amortization = how loan is paid off in consistent payments over time

- Types of mortgages
  - 30-year fixed (360 payments)
  - 15-year fixed (180 payments)

ARM = adjustable rate mortgage

## Insurance

Best for low probability events that would cause a lot of hardship  
Pay small premium to avoid catastrophic loss

Term life insurance = pay small premium, do not get anything back if you don't use it

Permanent insurance = whole life / universal life

Disability insurance

- Short term = first 90 days
- Long term = after 90 days

Health insurance

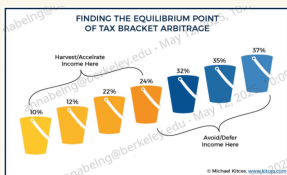
HMO = cheaper & you have primary care provider  
→ Kaiser, United etc

PPO = see specialist w/o referral

→ see any doctor in / out of network

HDPH w/ HSA = more control over spending

→ high deductible before insurance kicks in



## Priority of Saving

- Max the company match! (at least 4%)
- 3-6 months in a High Yield Savings Account
- Depending on % interest (student loans, mortgage)
- Roth option too
- Bridgegap (after-tax)
- 529 / UGMA / uniform
- Down payment money
- Charitable contributions
- Grand school / traditional

## Returns + Fees

Defined Benefit = traditional

- moral hazard
- Optimistic discount rate
- public / corporate funds are underfunded

Defined contribution = 401k, 403b

When you get a job

- immediately sign up for 401k plan → get whole match
- increase savings by half of every raise

## Investing

Do NOT ignore fees

↳ no mutual funds w/ load fees

- prior employer 401k

- cash it out
- leave it where it is
- move to current 401k
- rollover to IRA

- mutual fund loads = one time fee paid when you invest in fund

- Financial planner

- \* fiduciary = must
- \* credentials = get CFP professional
- \* expertise = need help w/ equity
- \* fees = how are they compensated

- invest in mutual funds / ETFs

- choose low-cost index funds

- mix of stock + bond funds

BONDS = 110 - your age in equities

ETF = basket of securities that trades intra-day

↳ execute while market is open

↳ more tax efficient index funds

	Active Mutual Fund	Passive Index Fund
Goal	Beat the market	Match the market
Benchmark	By sector	By type of fund
Cost	High (typically >0.75%)	Low (typically <0.15%)
Data shows	Underperforms the market, in entirety	Matches the market, which outperforms the avg investor
Turnover	High	Very low
Flows	Money flowing out	Money flowing in
Origin	1920's	1975 (Boogle)

High yield savings / emergency fund

3-6 months of fixed expenses

Bonds = lending money (100)

↳ pre-determined returns

↳ can lose 100% of value

Stocks = ownership in company

compound interest  
= interest on your interest

Credit score = 35%: payment history

- 30%: Utilization = debt burden (how much of available credit you using)
- 15%: avg age of acct
- 10%: mix of credit
- 10%: recent inquiries

Sure dollar today worth more than sure dollar 1 year

ACCTS: checking acct, savings acct, loan acct, investment acct, cc acct

RULE OF 72: how long it takes for money to double at x% rate

$$\rightarrow \frac{72}{x}$$

Budgets: income - fixed expenses - variable expenses = LEFTOVER

## Auto Insurance

**liability coverage** = pays for other ppl's bodily + property losses (property, bodily injury for single person / all parties)

**collision coverage** = covers damage to own car in crash (regardless of who caused)

**comprehensive coverage** = NOT crash related (theft, vandalism, natural disasters)

**uninsured / underinsured** = covers you if someone hits you w/ little / no insurance

\* **SAVE** by: choosing high collision & comprehensive deductible

\* **DO NOT** admit fault when you're in crash ↳ amt you pay first when you file claim

\* 17% of drivers are uninsured

\* **BUY MORE** than minimum liability insurance required

Comprehensive = BAD LUCK (not your fault)

collision = you hit something

liability = you hit someone else

Leases = complicated, extra fees  
charged for tears / dents  
scratches / extra miles

## Homes

\* **longer** you plan to stay in 1 place → more sense it makes to buy

HO-3 = special form → cover home against all risks, belongings

Policy Type	For Whom?	Coverage Type
HO-1	Basic homeowners	Very limited, named perils only
HO-2	Budget-conscious owners	Moderate, named perils
HO-3	Most homeowners	All-risk on home, named on contents
HO-4	Renters	Belongings & liability only
HO-5	High-value homeowners	All-risk on both home & contents
HO-6	Condo owners	Interior, belongings, liability
HO-7	Mobile home owners	Like HO-3 but for mobile homes
HO-8	Owners of older homes	Modified coverage, cost-based

**Renters insurance** = loss of possessions, liability,  
living expenses if uninhabitable

standard policies → do NOT cover floods + earthquakes

\* **GET MULTIPLE QUOTES**

## Health Insurance

**Affordable care act** : expanded employer based insurance  
expanded medicaid

Healthcare marketplace where ppl can't be denied insurance

preferred provider organization

**PPO** = more expensive, more choice than HMO

health maintenance organizations

**HMO** = health care at lower costs, less choice

health savings account

**HSA** = pre-tax savings acct for medical expenses

\* save money if healthy, cost more w/ high medical expenses

\* w/ HDHP (high deductible health plan)

## Investing

**PFOF** = payment for order flow = send trade to 3rd party market maker