

*Graduated and out of here!
What next?*



Power & Energy Society

Quick Bio

- Allan Soriano
 - aasorian@calpoly.edu, allans123@yahoo.com
- BSEE 1990, Cal Poly, San Luis Obispo
- National Semiconductor 1991 – 1999
 - Product Development, Marketing, Field Applications Engineering
- Maxim Integrated Products 1999 – 2001
 - Corporate Applications Engineer/Product Definer
- National Semiconductor 2001 – 2009
 - Product Line Applications Engineer (Audio Products Group)
- Back to Cal Poly for an MSEE

Employer Benefits

- Total comp. = salary ($\approx 72\%$) + benefits ($\approx 28\%$) + Social Security tax + Medicare tax
 - There's also bonuses, stock options, restricted stock units.
- Take Advantage of Company/Employer Benefits!
 - Medical/Dental/Medical Savings account
 - Yes, there are morons who don't sign up for coverage (< 30 years old)
 - Long term disability insurance
 - Think of it as "income replacement" if you can't work due to illness
 - Volunteer Plan Disability Insurance (VPDI) vs. State Disability Insurance (SDI)
 - My example
 - Educational benefits
 - Educational assistance towards an advance degree. Chad's example
 - Life insurance
 - Usually 1x your salary as part of your of your compensation
 - Don't pay for anymore unless someone else depends on your income
 - Employee Stock Purchase Plan
 - 401k
 - Start immediately! More information to follow.....

One Expensive State to Live In

*How does one become a
millionaire in California?*

Start with two million

Darn Taxes

“Tax avoidance is legal; tax evasion is not” [paraphrased], United Supreme Court” [Gregory v. Helvering 1935]

- Use all legal means to minimize paying taxes.....
 - Federal income tax, state income tax, social security tax, sales tax, capital gains tax, property tax, car tax, alternative minimum tax, etc.
- www.irs.gov/individuals/page/0,,id=14806,00.html
- www.ftb.ca.gov/online/Tax_Calculator
- www.moneychimp.com/features/tax_brackets.htm
- www.moneychimp.com/features/fica.htm

Minimize Paying Taxes

- Move out of California to a state with no state income tax
 - California has the highest state income tax in the nation
 - AK, FL, NV, NH, SD, TX, TN, WA, WY (NH also has no sales tax!)
- Buy a home
 - Mortgage and property tax is not a 1:1 write-off of income taxes
 - For example, \$3k/month payment is really about \$2k/month
- Buy rental property
 - Tax advantages are limited if family income level of above \$175k
- Start a business
 - Write off stuff you buy for your business, but be careful of the IRS with respect to write-offs
- Maximize the use of a tax deferred retirement account
 - 401k/403b/Roth 401k/IRA/Roth IRA
 - Keough/SEP (for the self-employed)
 - Take advantage of employer matching. National Semiconductor example (\$1.50 for every \$1 employee contributes up to 4% of gross salary)

The importance of saving for retirement early

- In your 20s time is in your favor but in your late 40s+ time is not your friend.
 - It takes a couple of decades to grow a retirement portfolio of substantial size (> \$750k)
- Even if an employer offers a pension, save for your retirement anyway.
 - WTF? Why?
 - United Airlines, General Motors, Delphi Electronics, government entities
- According to latest estimates, social security will be insolvent in the mid 2030s
 - Baby boomer generation (born 1946 – 1964, about 80 million people) are now starting to retire this year and they did a damn poor job of saving for retirement
- Latest studies mention that about 70% will have insufficient income for retirement
- Let's now even discuss Medicare, which will be in the red by 2017

Should I payoff student loans first before I save for retirement?

- No. First rule of financial planning is to PAY YOURSELF FIRST
 - You have 10 years to pay it off
 - Interest rates are relatively low
- Do both, and save for a home. A “three-fer”. Ugh.
 - Some say a home should be your biggest asset.
 - Some say your retirement portfolio

The W-4

- How do you go about managing saving for retirement, saving for a home, and paying off student loans?
- If you save for retirement through your employer, you can adjust your W-4 to compensate for the decrease in take-home pay.
 - You will “lose” the money anyway. Give it to the government now or to yourself to use later for retirement?
(hint: always pay yourself first)?
 - Use Turbo-tax, Enrolled Agent, H&R Block, or a CPA to determine the number of withholding on the W-4 form
- Use the power of compound interest to help save faster and stay ahead of inflation. Invest in the stock market! Read the book at the end of this presentation.

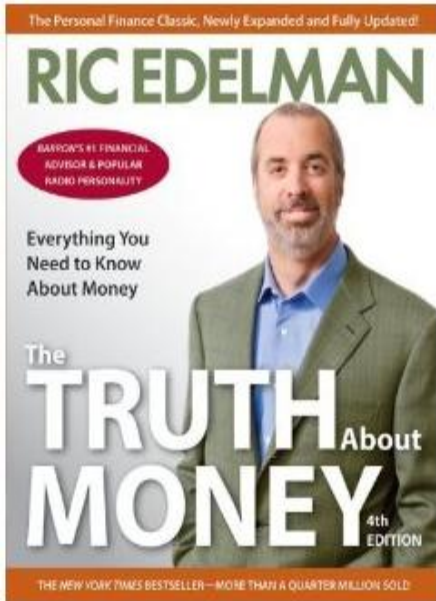
Random Thoughts

- Open an account at Fidelity, Schwab, ETRADE, or ScottTrade
 - Avoid “full service” place like Lynch, Morgan Stanley
- Initially, do your own taxes on TurboTax. Use CPA later, maybe

- Old school rule of thumb: Put 20% down payment on a home
- Get a 30 year, fixed interest rate if staying more than 7 years
- Borrow no more than 3 -4 times annual gross salary in general

- Bad debt vs. good debt
 - Debt is not always a bad thing
 - Good debt: loans for school, a home, interest that can be written-off income taxes, and rental property.
 - Bad debt: credit cards, car loans, vacations, weddings, etc.

Start Learning Now!



The Truth About Money 4th Edition [Paperback]

[Ric Edelman](#) (Author)

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- Where to start? For a very good introduction to a path of financial security read this book ! It's \$11.89 on Amazon! Also read, "The Millionaire Next Door"
- What do I read? Investors Business Daily (IBD), Forbes, and Wall Street Journal
- Websites: www.invest.com (IBD's website) and www.investopedia.com
- Practice website: <http://www.virtualstockexchange.com/Game/Homepage.aspx>
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