



Tashkent State University of Economics

Household finance

Lecture 1: The rise of household finance.

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Personal Finance

Q: How many of you have dreamed of retiring and becoming a multimillionaire by the time your 40?

Q: How do you would achieve



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- A. **Personal Financial Planning** can help you to achieve these goals by teaching you to **spend**, **save** and **invest** your **money** wisely, so you are able to live **comfortably**, have **financial security**, and **achieve your personal financial goals**

- 1. Unfortunately, most people never reach their financial goals because, because they fail to plan

- 2. A Personal Financial Plan helps us to **identify the financial result we want**, **figure out how to get there**, and **stay on track to achieve it**

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- B. Goal setting is the foundation of personal financial planning:
 - 1. Learning to identify and set clear goals is key to your success in life
 - 2. **Goals**
 - a. **Short Term Goals** are goals that you would like to achieve within 3 months
 - b. **Intermediate Term Goals** are goals that you would like to accomplish within 3 months to a year
 - c. **Long Term Goals** are goals that you would like to accomplish over a year or longer

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- 3. Goals should be:
- a. Specific meaning goals should be clearly defined
- b. Measurable meaning that you should have tangible evidence that you accomplished the goal
- c. Attainable meaning goals should be achievable
- d. Realistic meaning goals should measure outcome, not activities
- e. Time-limited meaning goals should be linked to a time frame

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- C. The Financial Planning Process:
- 1. Set Goals
- 2. Analyze Information
- 3. Create a Plan
- 4. Implement the Plan
- 5. Monitor and Modify the Plan





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- D. The first step in your personal financial plan is choosing an occupation (how you earn your living)
- 1. One can have a career or one can have a job
- 2. A **Career**-is a commitment to work in a field you find interesting and fulfilling; a **job** is work you do mainly to earn money
- 3. Your **choice of career** will **affect** the **money you make**, the **people you meet**, and **how much spare time you have**
- 4. Having a college education does not guarantee that you will meet your financial goals, however, acquiring more education increases your **potential earning power** (the amount of money you earn over time)

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- 5. Employment Search Strategies (how to look for a job)
 - a. Online Employment Sites- Careerbuilders.com, Monster.com, etc.
 - b. Job Fairs- at a job fair, recruiters from local, national and international companies set up booths where you can discuss job opportunities and submit your resume
 - c. Employment Agencies-match job hunters with employers
 - d. Networking- Talking with people with similar career interest

Personal Income

- A. The money you earn from your chosen occupation or other sources is called income
- 1. Types of Income
- a. wages- paid by the hour (eg. \$20.00 per hour)
- b. salary- you receive a set amount of payments (eg. \$70,000 per year)



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- 2. **Gross Income**-is the total amount of income from your wages/salaries before payroll deductions
- 3. **Net Income**- is the total amount of one's income after payroll deductions are deducted (Take Home Pay)
- 4. **Discretionary Income**-money you have left after paying your essentials, such as rent, utilities, clothing, transportation,etc.
- 5. **Payroll Deductions**- are money subtracted from your gross income; the biggest deduction for most people are **payroll taxes**



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- B. **Payroll Taxes**- taxes that are deducted from your gross income
- 1. **Federal Income Taxes**- fee paid to the federal government to help support federal government programs; this money is collected by the employer each pay period and paid to the IRS (Internal Revenue Service)
- 2. **State Income Taxes**- fee paid to the state where you reside, to pay for state government programs; this money is collected by the employer each pay period and paid to the Treasury Department in the state you reside in

PAYROLL TAXES CONTINUED

- ▶ 3. **Social Security Tax** (FICA)- is a federal program that collects taxes from most employees to fund federal programs for the elderly, the blind and low income families/individuals
- ▶ 4. **Medicare** – are taxes collected from most employees to fund medical benefits for individuals 65 years of age or over





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- C. **Benefits**- non-cash compensation paid to employees:
 - 1. Many occupations have employee benefits
 - 2. **Benefits include the following**
 - a. Health Insurance
 - b. Life Insurance
 - c. Paid Vacation
 - d. Pension (retirement plan)
 - 3. Companies are not required by law to offer or to pay for employee benefits



Assignments

- 1. Each student will choose **3 careers** that interest you. Go to Careerbuilders.com, and find out the educational requirements and the salaries for each career: prepare a paragraph of your findings
- **Due today...all late assignments will be deducted by 25 points per day**

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- A. **Glass Ceiling** invisible barrier that prevents men and women from getting high level executive jobs in Corporate America
- 1. Although the media prints that more and more women are in the executive suite, it is **very misleading**:
 - a. More and more women are bumping into the **glass ceiling**
 - b. The overall global labor remains **sharply segregated by sex**
 - c. **Women and minorities** are concentrated into certain jobs, mostly **staff and support jobs** that offer little opportunity for getting to the top

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- d. The highest ranking women and minorities in Corporate America are in non-operating areas such as Human Resources, Public Relations, etc.
- e. Women and minorities are locked out of jobs in the “**business mainstream**” that lead to executive level positions
- **Q? : What do think is the biggest barrier for women and minorities to reach these executive level positions**

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- f. According to studies by Korn/Ferry International, an Executive Recruiting firm the biggest barrier is the “**Old-Boy Network**”, which means that the male corporate leaders tend to select people that are very much like them
- g. One study found that **female executives managed less people**, had **less freedom to hire and fire**, and had **less direct control of the company’s assets than their male counterparts**



SECTION 1 PERSONAL FINANCIAL PLAN

- ▶ **A. Scenario:** You are 25 years of age, and have been working at your current job or profession for the last 3 years. You are single, no children and have been living at home with your family, since completing your formal education (2-4 college education, Technical school, or Trade School) and have saved **\$10,000**. You're ready to move on. You have found an apartment, buying new furniture and a new car. In addition to your savings account you have a checking account where your monthly pay check is deposited into.
- ▶ **B. You are putting together a financial plan to achieve your intermediate goals/objectives**
 - ▶ 1. **Employment**-Research an occupation you are interested
 - ▶ 2. Go to **Salary.com** and research the entry level salary for the specific job you are interested in
 - ▶ 3. To calculate your take home pay after taxes go to www.adp.com/.../calculators.../payroll-calculators/salary-payc
 - ▶ 4. Please keep a journal of your findings and also submit your findings for homework...due date next class period...all late assignments will be deducted by 25 points per day

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- h. Globally, women make up **3.9% of Chief Executive Positions, 8.5% of Operations Positions**(management), **17.5% of Financial Strategy Roles**, and **18.9% of Shared Services** (Human Resources, IT, etc.)
- i. Studies also found that **African Americans, Hispanics** and **Asians** earn **21% less** than their **white counterparts in the same job**



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- B. How to break the glass ceiling
- 1. Women and minorities must be better than their competition for promotions
- 2. Look at your company's philosophy- if there are no women or minorities in executive positions this is a bad sign
- 3. Don't waste your time- look for a company that values diversity
- 4. If you have a lot invested stay and fight- unequal pay and consideration for promotions is considered discrimination under the civil rights act



Assignments

- 1. **Research the average costs of a private/public college education in the U.S. and choose one of the following countries** and compare/contrasts the costs of a private/public education of that country with the U.S. prepare a paragraph of your findings
- **Mexico Germany**
- **Japan U.K.**
- **Canada Australia**
- **Write a short paragraph of your findings**

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Federal Loan Type	2013-14 Academic Year	2014-15 Academic Year
Federal Stafford Loans (Undergraduate)	3.86%	4.66%
Federal Stafford Loans (Graduate)	5.41%	6.21%
Direct PLUS Loans	6.41%	7.21%

- A. The second step of your personal financial plan is to determine the costs of your education
- 1. **Education** is defined as the level of **formal knowledge** and **training** one receives, post high school
- 2. Most students use **student loans**, **grants**, **scholarships**, and money from **parents**, to fund their **post high school education**
- a. Federal student loans offer many advantages private student loans do not offer such as **low fixed interest rates**, **income based repayment options**, **forgiveness** and **postponement options**
- b. The current rate for student loans from July 1, 2014 to June 30, 2014 is 4.66%