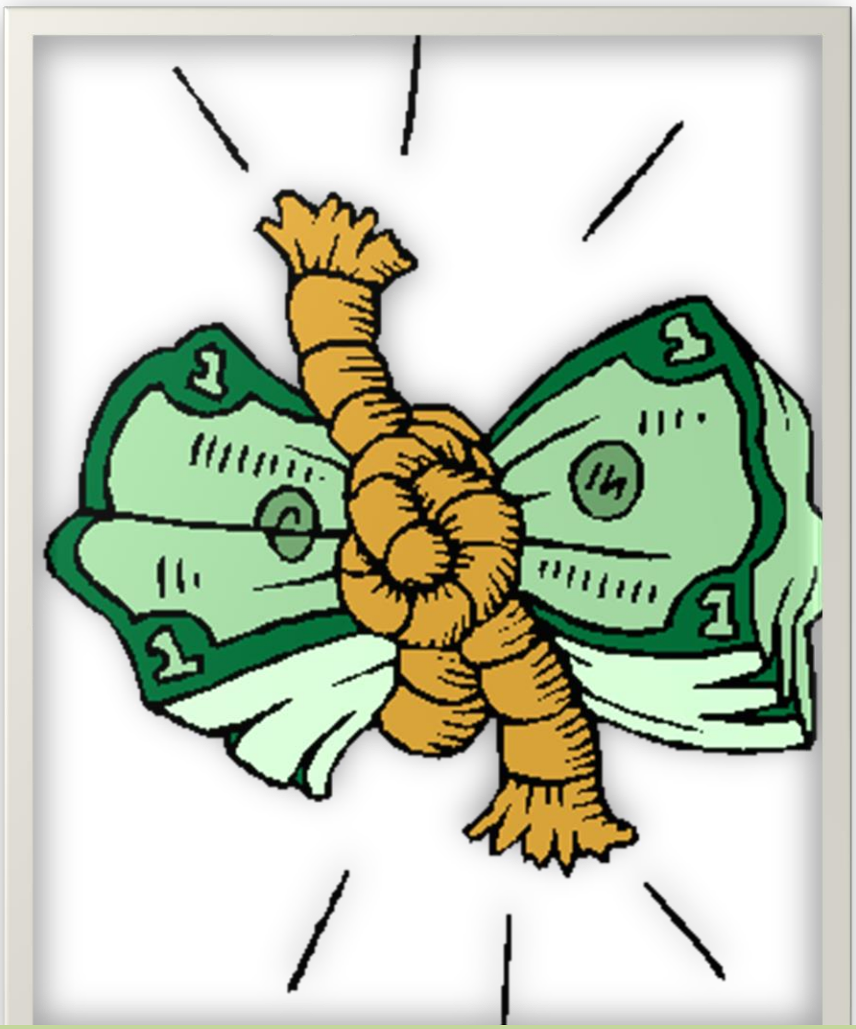
State of California – Military Department
California Cadet Corps

CURRICULUM ON WELLNESS

Strand W1: Finances
Level 11

This Strand is composed of the following components:

A. Finances: Money Management
B. Critical Consumer
C. Building Wealth



"Don't Steal from Your Future"

Updated: 22 Dec 2020

Table of Contents

C. Building Wealth

Standard #4: Cadets are healthy, well-rounded and prepared for the physical and stress demands of college, career, and life.

OBJECTIVES

DESIRED OUTCOME (Leadership)
Cadets will be able to prepare for their financial future.

<u>Plan of Action</u>:

1. Identify types of careers that promise high income levels.
2. Identify the types of income.
3. Identify types of taxes and examples of them.
4. Differentiate between progressive and regressive taxes.
5. Describe the basic process of paying income taxes, including forms, dates, deductions, and tax credits.
6. Describe why retirement planning and goal-setting are important to consider when you're young.
7. Differentiate between a traditional and a Roth IRA.
8. Describe how to avoid having money problems cause relationship problems.
9. Discuss facts and statistics about giving of your time and money, and the business of charity in the United States.
10. Define generosity.

C1. Careers and Income

There's another lesson in the California Cadet Corps curriculum that approaches this subject from a different perspective: Section C3, Lesson C1 talks about Civilian Careers and Jobs. If you haven't reviewed that, we suggest you do.

This lesson will focus more on Income, since we're in the Finances strand. But obviously, income is for the most part tied to your job. It's also a lifelong need that changes as you go through the various phases of life. We'll focus on what you will experience in the upcoming phases of your life, with a nod to what to expect as you get older.

For households and individuals, "income is the sum of all the wages, salaries, profits, interest payments, rents, and other forms of earnings received in a given period of time." (Case, 2007) Your *gross income* is the total amount coming in. Your *net income* is your income after deductions such as taxes or payments made for recurring things such as medical plans, mandatory pension contributions, or unemployment insurance.

> *Gross: consisting of an overall total exclusive of deductions*
> *Net: remaining after the deduction of all charges, outlay, or loss*
> Merriam-Webster Dictionary

Define your needs: Income may come from investments or inheritance, or even some type of allowance from your family, but most of us get our income from some type of job. As you make decisions about what you want to do with your life, you'll need to consider how much income you need to accomplish what you want. What's most important to you? Do you seek 'happiness'? If so, how do you define that? Is having a career that you love the most important thing for you? Or is making a lot of money most important to you? Can you do both? Do you have what it takes to reach your goal (in terms of ability, resources, qualifications or experience)? All these questions should be running through your mind as you consider your next steps in life. And of course, there's nothing that says you only have one choice. You may take one road, only to determine that it may not be where you wanted to go; make a turn and change your route. We are not as tied to a lifetime career as our grandparents were.

Top 25 Earning Occupations: In a 2019 study (the latest information available as this is written), the top occupations in terms of earning potential are predominantly in the healthcare field. In 2019 dollars, mean annual income for the top 25 occupations runs from $262K for Anesthesiologists to $134K for Compensation and Benefits Managers. Most of these occupations, especially the healthcare related ones, require extensive and expensive education and certification. In setting your goals toward these jobs, you need to take into account what it will cost you to just achieve this goal, if you're able to get into the systems

that produce these professionals. Are there other occupations that are easier to obtain, or grow into, that may be equivalent? And are there alternative paths to achieving certification in these specialties?

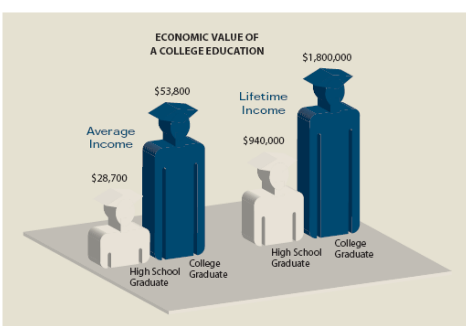
One career choice that you don't see on this list that could be such an alternative is the US military. The military has need for many of these occupations and has programs that will fund and sponsor the education and training required to attain these certifications. Of course, they have a requirement, too, that you serve for a certain amount of time to pay the government back for the investment they've made in their training. Part of your research should look into the annual salaries available to professionals in the military, whether there are bonuses available for such professions, and the rank structure you can anticipate (Lieutenant Colonels in the Army today make about $100K in base pay, but if you add in the various allowances, they bring home almost $200K per year). But there are clearly many effects on your life, the life of your family, and your freedom to live and work where you want to.

Top 25 Highest Paid Occupations

1. Anesthesiologists
2. Surgeons
3. Oral-Maxillofacial Surgeons
4. Obstetricians-Gynecologists
5. Orthodontists
6. Prosthodontists
7. Psychiatrists
8. Family and General Practitioners
9. Physicians
10. Internists, General
11. Chief Executives
12. Pediatricians, General
13. Nurse Anesthetists
14. Dentists
15. Pilots and Flight Engineers
16. Petroleum Engineers
17. Information Systems Managers
18. Architectural and Engineer Managers
19. Marketing Managers
20. Financial Managers
21. Natural Sciences Managers
22. Attorneys
23. Podiatrists
24. Sales Managers
25. Compensation and Benefits Managers

(Hong, 2020)

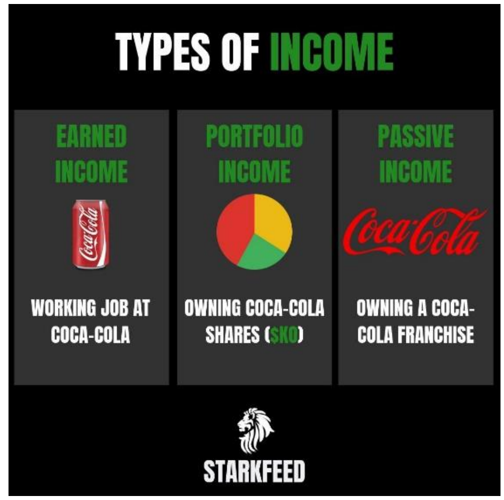
There are, of course, other options. You could be an entrepreneur and start your own business. Those who have the passion can benefit from this path – be your own boss and craft your own destiny. If you have the right idea – whether it's a brand-new product or idea, or a franchise of an existing successful company, or some other path – you may reach the American dream of independent success and wealth.



Most of the options for a high-income job require some type of college education – in some cases, much more than just a 4-year degree. Where you get that degree, and how much you have to pay for that should be a part of your plan. Be sure to do your research, starting with our lessons on college and career (C3).

Another decision that affects your ability to earn a high income is what you will do personally. Most people look for a partner or marriage, and potentially children. Marriage or partnership with someone increases your earning capability, but children add considerable cost. Certainly, how many children you have, and possibly what kind of a relationship you have as a family, plays a big role in the type and amount of income you are able to earn, and how much you're able to save or invest. A large family will be a bigger hindrance to amassing wealth but may be considered wealth of a different type.

No mater what your income is, a good goal is to live within it. You do have choices about where you live and what you spend your money on. How you live has an effect on your ability to save. Do you share the cost by having roommates while you're young? Do you buy the latest fashions or technology? Do you travel to foreign lands, or get away by camping in state parks? Do you eat out in restaurants a lot, or do you cook at home? All of these are choices that affect your cost of living, and ability to save and start building a nest egg for your future.



Types of Income: The three types of income are Earned, Portfolio, and Passive. We've talked about earned income – what you receive for working at a job. Portfolio income comes from your money working for you – it is what you receive through ownership of stocks – interest earned and received through dividends or sale of stocks. Finally, passive income is generated by your assets without you working for it actively; this includes income from owning a business, royalties from your ideas or performance, rental income, or marketing.

The more you can diversify where your income comes from, likely the more income you will have. Portfolio and passive income, in particular, aren't tied to what you can do or how much you can work – it grows on its own. Of course, these types of income aren't guaranteed. If the stock market goes down, you will LOSE money you have invested. If your business doesn't flourish, or the rental marked goes down, you will not benefit from passive income. There are tax benefits, sometimes, when these negative things happen. It's possible you'll lose money but be able to take a tax break to make up for your losses.

We look at saving money being a good thing. If you can be disciplined in your money management and save for the future, you will be better prepared to be successful and be able to support yourself and your family when times get bad or in your old age. And money saved can be used in ways to grow more profits.

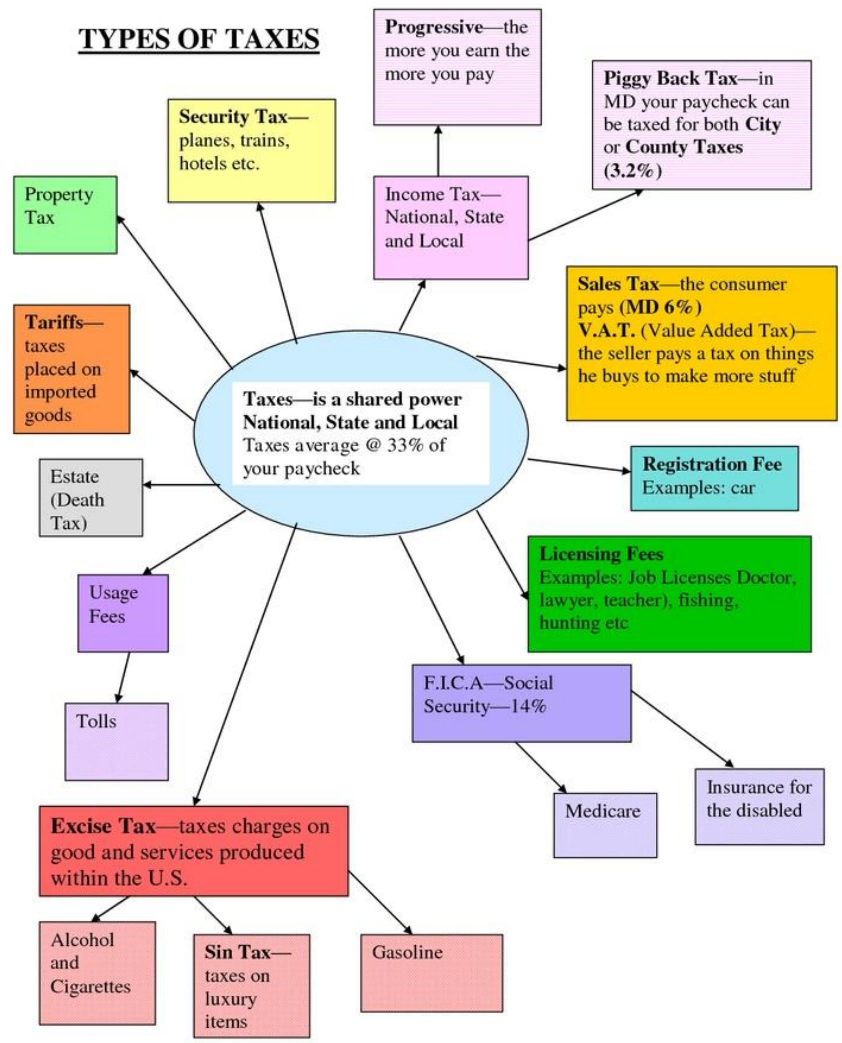
C2. Taxes

How do you feel about taxes? Have you ever considered the subject? Many people just have a gut reaction to being forced to give up money they've worked hard to earn. Some people will do anything to avoid paying taxes, including cheating on their taxes, failing to report income, or hiding their money in places where it can't be taxed. Most pay what the government says they owe. Amazingly, people often vote to increase taxes when they're convinced it's for a project they believe will benefit them or their community. Unfortunately, these projects often don't come through as predicted; the government collects millions of dollars in taxes and spend a good part of it on other priorities.

We take the point of view that taxes are a requirement of citizenship. We all benefit from the services the government pays for – from roads to the military to unemployment insurance. We should pay the taxes we reasonably owe. It is also our responsibility to convey to our elected representatives if we think our taxes are too high, and lobby and vote to reduce or not add new taxes unless we're willing to pay them.

In our recent political systems, Republicans take a position against more taxes, and Democrats are known for supporting taxes to pay for social programs. In reality, both parties have promoted spending programs that cost more taxes – everything the government does is paid for by taxes.

Types of Taxes: There are two basic types of taxes – direct and indirect. A direct tax is paid directly to the government by an individual or organization. Indirect taxes are collected by someone in the supply chain (i.e. a producer or retailer) and then paid to the government. The consumer essentially pays the tax by paying more for a product, since the tax is added on top of the price. The difference therefore between direct and indirect taxes is that in the case of direct taxes, the individual pays the tax directly to the government, but when it comes to indirect taxes, the individual pays the tax to someone else, who then pays it to the government: a bit like a middleman. (Ionos, 2019)



Another way to look at the types of taxes is whether you have a choice to pay them. If you earn a wage or get income of just about any type, you have no choice but to pay the designated tax for it. For things that are taxed indirectly, you can choose not to purchase the good or service, so it's theoretically a voluntary tax.

We'll get into a little more detail on types of direct and indirect taxes:

Income Tax: An individual pays income tax based on their taxable income during the financial year. Federal, state, and local governments levy income taxes on personal wages and business profits. The U.S.'s progressive income tax system works in a way in which those that earn more get taxed more, but there are ways of lowering tax liabilities (e.g. donating to charity, contributing to a retirement account, etc.).

Employees usually find their taxes deducted from their paycheck each month, and companies pay income taxes on a quarterly basis. These payments are estimated so it could be that the taxpayer either has to pay more at the end of the year, or they receive a refund for the amount they've overpaid.

Entitlement taxes are collected by the federal government in order to pay for social programs such as Medicaid, Medicare, Social Security, and others. This tax is deducted from the individual's paycheck and is grouped into "Federal Insurance Contributions Act" (FICA) payments. Self-employed people and companies must also pay entitlement taxes in their quarterly tax payments.

Transfer taxes: If ownership of property is passed from one person to another without money changing hands, this is when transfer taxes come into play. They are imposed by federal, state, and local governments. Gift and estate taxes are the most widely known examples of transfer taxes. Gift taxes are collected when money or property is transferred to another person. Estate taxes are collected from the taxable portion of a deceased person's estate.

Property taxes: Buildings and landowners must pay property tax to the state and local governments so that local public services such as police and fire departments, schools, libraries, and roads can be financed. How much the owner pays depends on the size of the land or building. In order to work out the value of the property, the worth is calculated annually to take fluctuations into account. Property taxes can also fluctuate based on local budget needs.

Capital gains taxes are collected when assets e.g. real estate, artwork, stocks, etc. are being sold. The tax is calculated depending on the price of the item when it was first bought, and the price it is worth at the point of sale. The tax rate is lower for these types of transactions, since inflation can affect capital gains. It's possible to deduct a portion of the capital loss if the asset is sold for less than it was bought for.

Examples of indirect taxes include liquor, fuel, import duties, and cigarette taxes. Some indirect taxes are referred to as consumption taxes. Here is an example of the most common indirect tax, import duties: the duty is paid by whoever is importing the goods when they enter the country. If this person then sells the goods to a customer, the cost of the duty is technically hidden in the amount that the customer is paying. So they are paying indirect taxes and maybe aren't even aware of it.

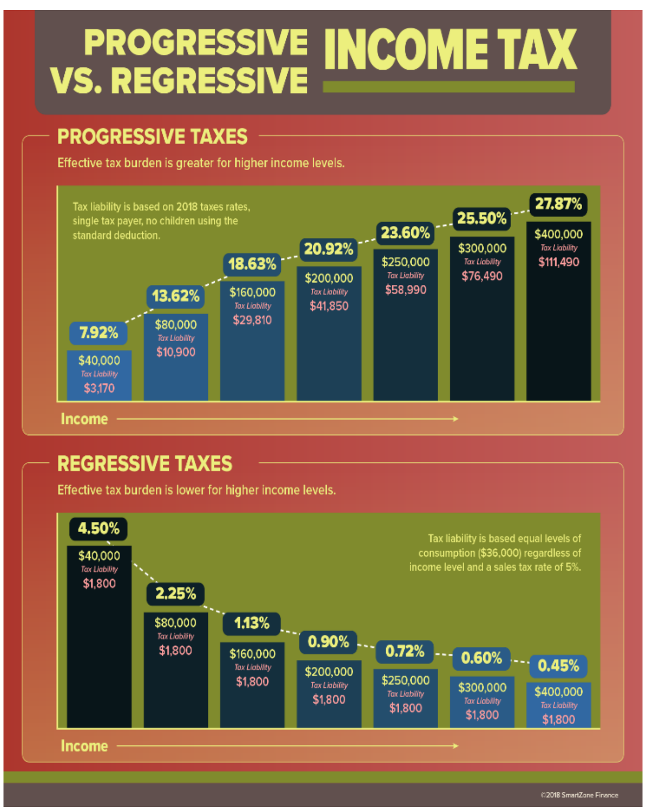
Here are some examples of indirect taxes:

Sales tax: When you go shopping, you're given an amount to pay at the cash register. This amount actually includes a percentage of the purchase, usually between 4% and 10%, which is the sales tax. The sales tax is sent to local, state, and federal agencies, where it is used for different programs and projects. Sales tax is also imposed on larger goods such as homes and vehicles.

Sales taxes are an example of a tax that falls into both categories; direct and indirect. They are classified as direct taxes if they are imposed only on the final supply to a consumer, but if they are imposed as value-added taxes during the production process, then they count as indirect taxes.

Customs taxes: These are imposed on imported and exported products, but many customers often aren't aware of the taxes imposed on imported and exported goods. Everyone pays them regardless of how much they earn. Manufacturers and merchants often charge customers higher prices to make up for the fact that they have to pay taxes when buying or selling raw materials or finished products.

Fuel taxes: When you buy gasoline for a vehicle, you pay indirect taxes. This tax is hidden in the price per gallon so you might not be aware of it. Fuel tax (also known as "gas tax" or "fuel duty") is sometimes used as an ecotax to promote ecological sustainability. This article on fuel taxes shows you how much each state pays per gallon. Pennsylvania pays the most at 58.7 cents per gallon and the state paying the lowest is Alaska at 14.7 cents per gallon (as of 2018).



Excise taxes are paid when purchases are made on specific goods, such as gas, and are often included in the price of the product. For manufacturers, this tax applies to business costs, meaning they somehow need to "get it back" – which is why the customer pays it when they purchase the finished item. Excise taxes can also be temporary e.g. the sugar tax in 1898, but some taxes are here to stay, such as those imposed on gasoline, tobacco, and alcohol. (Ionos, 2019)

A **progressive tax** becomes a higher rate of your income as your income rises. In other words, it taxes the wealthy at a higher rate than the poor. So not only are richer people paying more tax because they have a higher income, they pay a higher percentage of their income in taxes.
A **regressive tax** is the opposite of a progressive tax and includes any tax that tends to be paid at a higher rate for low-income earners.

Income taxes are normally progressive. Regressive taxes often fall into a category known as **Pigovian** tax that seeks to protect the environment, improve health, or reduce social problems. For example, if there is a health epidemic due to over-consumption of sugar and sugar-like chemicals, a country may impose a tax on extremely sugary products in an attempt to reduce consumption. Such taxes are regressive because the lower your income, the higher the percentage you're likely to spend on items such as food and other categories that are targeted by Pigovian taxes.

Ecotaxes are a common type of **Pigovian tax** that are also typically regressive. For example, a tax on fossil fuels may have benefits for the environment but tends to target low-income individuals at a higher rate. Wealthy individuals may spend a very small percentage of their income on energy.

The Flat Tax Proposal:

Some innovators argue for a flat tax rate. They believe it is a fairer system of taxing the populace than the current progressive tax rate. What does this mean?

A flat tax rate charges the same percentage tax rate across the board to all income classes. So if the tax rate is 23%, everyone pays 23%. That seems fair, right? If you make $30,000 a year, 23% is going to be $6900, while someone who makes $3,000,000 is going to pay $690,000. The problem comes when you look at reality. Someone making $30,000 a year now takes home $23,100 (and the 23% tax is only the federal tax – they still have to pay the state tax). While they just might be able to get by with $30K, they can't afford housing and food and transportation with only $23K. Meanwhile, the person making $3M is paying the same rate – their taxes are 100 times more because their income is 100 times more. Now they're only netting $2,310,000. They're still able to pay all their bills and have a nice lifestyle with $2.3M.

The general concept behind progressive taxes is that the less you make, the more it counts. Of course, rich people don't like paying taxes any more than anyone else. It seems fair to them that they should pay the same percentage of their income as anyone else. But the way it works out, they end up paying less for a couple of reasons:

- The family that makes $30K a year spends all of it on subsistence – mainly food, housing, transportation. They need every penny of that $30K just to feed and house themselves, and they're likely in debt.
- The family that makes $3M a year spends a much smaller percentage of it on subsistence. Sure, they spend more on food, housing, and transportation – but those costs don't take up all of their income. They can afford luxuries like vacations and expensive cars and non-essential goods, and they can still save money to build their wealth.
- The family that makes $3M a year has a high-priced tax accountant that gets them every loophole that exists to reduce their tax bill. So instead of paying $690,000, they and their friends often pay a lot less due to capital losses in real estate and business, etc.

The flat tax plans usually claim that they'll eliminate the loopholes, and that the rich will pay their percentage of taxes. Do you trust that you will? If you do, maybe you'll become a supporter of flat tax plans. If you think the rich will continue to hide their income and find more loopholes, support a progressive tax. Some states and several countries do use a flat tax system. You may want to do some research and see how that's working for them. These are Russia, Latvia and Lithuania, and 11 states as of 2020. Seven states don't charge state income tax at all. California tends to be a high-taxing state, with a progressive income tax and tax brackets that gradually pay more. The highest tax bracket in CA is for those who earn $590K per year – they pay 12.3% in state income taxes, on top of their federal and local taxes.

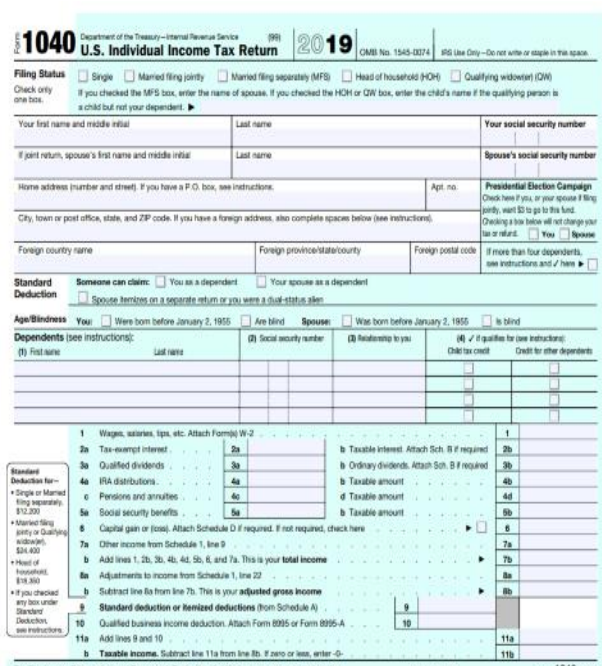
A flat rate value added tax can also be regressive as a low-income worker may immediately spend their paycheck thus incurring the tax. A wealthy individual may save a high percentage of their income, thus deferring value added taxes.

Regressive taxes may be accompanied with tax-back schemes that make them progressive. For example, if you charge a 10% value added tax and send every adult in the country a refund for $1000 each year, individuals who spend less than $10,000 a year will pay no tax. The refund will have little impact for wealthy individuals but will help those who are close to a basic survival income. Alternatively, new taxes such as ecotaxes can be accompanied by reduction or elimination of income tax for those below a prescribed income. (Spacey, 2016)

Other tax reform plans that have been proposed are:

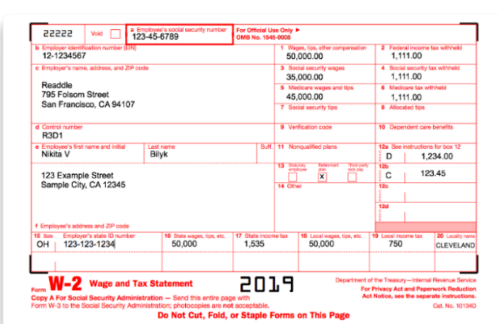
- Reducing tax breaks and lowering the rate – making it less complex
- Introducing a National Sales Tax (this is a value added tax). One plan scraps corporate and individual income taxes, estate and gift taxes, and payroll taxes. Instead, they'd implement a 30% sales tax at the retail level. Another modifies the income tax and supplements it with a VAT of about 6.5%.
- A smaller value added tax on retail goods, repealing the corporate income tax and replacing it with an 8.5% tax on business consumption

Paying Taxes. If you're earning income for the first time, and your earnings are more than the standard deduction, it's time to learn how to pay your taxes. You can find lots of information online, from both the Internal Revenue Service (IRS) for federal taxes and the Franchise Tax Board (FTB) for state taxes. How you go about figuring out your taxes and paying them usually depends on how complicated your tax situation is. If you're just getting earned income from a job, with little to no deductions, you'll likely just use the simple tax forms. You probably won't have deductions right away. The EZ tax forms are actually pretty simple, and you should be able to fill in the correct amounts yourself by following the instructions on the form.


Form 1040 Department of the Treasury—Internal Revenue Service (99)
U.S. Individual Income Tax Return 2019 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.
Filing Status Check only one box. Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶
Your first name and middle initial | Last name | Your social security number
If joint return, spouse's first name and middle initial | Last name | Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. You Spouse
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
Foreign country name | Foreign province/state/county | Foreign postal code | If more than four dependents, see instructions and ✓ here ▶
Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent
Spouse itemizes on a separate return or you were a dual-status alien
Age/Blindness You: Were born before January 2, 1955 Are blind Spouse: Was born before January 2, 1955 Is blind
Dependents (see instructions): (1) First name Last name (2) Social security number (3) Relationship to you (4) ✓ if qualifies for (see instructions): Child tax credit Credit for other dependents
Standard Deduction for— • Single or Married filing separately, $12,200 • Married filing jointly or Qualifying widow(er), $24,400 • Head of household, $18,350 • If you checked any box under Standard Deduction, see instructions.
1 Wages, salaries, tips, etc. Attach Form(s) W-2 1
2a Tax-exempt interest 2a b Taxable interest. Attach Sch. B if required 2b
3a Qualified dividends 3a b Ordinary dividends. Attach Sch. B if required 3b
4a IRA distributions 4a b Taxable amount 4b
c Pensions and annuities 4c d Taxable amount 4d
5a Social security benefits 5a b Taxable amount 5b
6 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ 6
7a Other income from Schedule 1, line 9 7a
b Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your **total income** ▶ 7b
8a Adjustments to income from Schedule 1, line 22 8a
b Subtract line 8a from line 7b. This is your **adjusted gross income** ▶ 8b
9 **Standard deduction or itemized deductions** (from Schedule A) 9
10 Qualified business income deduction. Attach Form 8995 or Form 8995-A 10
11a Add lines 9 and 10 11a
b **Taxable income.** Subtract line 11a from line 8b. If zero or less, enter -0- 11b
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2019)

Documents you'll need to file your taxes:

- W-2 from your employer
- Forms proving status of your credits or deductions
- Forms from investments or dividends
- Forms showing other income and losses
- Form 1040 or 1040EZ for federal taxes
- Form 540 or 540EZ for California taxes


22222 Void a Employee's social security number 123-45-6789 For Official Use Only ▶ OMB No. 1545-0008
b Employer identification number (EIN) 12-1234567
1 Wages, tips, other compensation 50,000.00 | 2 Federal income tax withheld 1,111.00
c Employer's name, address, and ZIP code Readdle 795 Folsom Street San Francisco, CA 94107
3 Social security wages 35,000.00 | 4 Social security tax withheld 1,111.00
5 Medicare wages and tips 45,000.00 | 6 Medicare tax withheld 1,111.00
7 Social security tips | 8 Allocated tips
d Control number R3D1
9 Verification code | 10 Dependent care benefits
e Employee's first name and initial Nikita V | Last name Bilyk | Suff.
11 Nonqualified plans | 12a See instructions for box 12 D 1,234.00
123 Example Street Sample City, CA 12345
13 Statutory employee Retirement plan X Third-party sick pay | 12b C 123.45
14 Other | 12c | 12d
f Employee's address and ZIP code
15 State OH Employer's state ID number 123-123-1234 | 16 State wages, tips, etc. 50,000 | 17 State income tax 1,535 | 18 Local wages, tips, etc. 50,000 | 19 Local income tax 750 | 20 Locality name CLEVELAND
Form W-2 Wage and Tax Statement 2019 Department of the Treasury—Internal Revenue Service
Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.
For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 10134D
Do Not Cut, Fold, or Staple Forms on This Page

Tax Deductions. Tax deductions lower your taxable income and thus reduce your tax liability. (Orem, 2020)

Tax Credits. A tax credit is a dollar-for-dollar reduction in your actual tax bill. A few credits are refundable, which means if you owe $250 in taxes but qualify for a $1000 credit, you'll get a check for the difference of $750. Most credits, however, aren't refundable. (Orem, 2020) Common deductions and credits are (as of 2020 – they change):

- Charitable donations deduction
- Student loan interest deduction
- Lifetime Learning Credit
- Child and Dependent Care tax credit
- Adoption credit
- Earned income tax credit
- Medical expenses deduction
- Deduction for state and local taxes
- Mortgage interest deduction
- Gambling loss deduction
- IRA contributions deduction
- 401(k) contributions deduction
- Saver's credit
- Health Savings Account contributions deduction
- Self-employment expenses deduction
- Home office deduction
- Educator expenses deduction
- Residential energy credit

Standard vs Itemized Deductions.
The standard deduction that anyone can take is a flat-dollar, no-questions-asked reduction in your adjusted gross income. The amount you qualify for depends on your filing status. In 2020:

Filing Status	2020 Tax Year	2021 Tax Year
Single	$12,400	$12,550
Married, filing jointly	$24,800	$25,100
Married, filing separately	$12,400	$12,550
Head of Household	$18,650	$18,800

Itemizing lets you cut your taxable income by taking any of the hundreds of available tax deductions you qualify for. The more you can deduct, the less you'll pay in taxes. (Orem, 2020) So if you can claim deductions that add up to more than the standard deduction, it pays to itemize. Itemizing, however, causes your taxes to be more complicated, and may cause you to have to hire a tax professional to get the paperwork right. Be sure to take this into account when comparing your numbers.

Taxes are due for the previous year (1 JAN to 31 DEC) on **April 15th** most years. When April 15th falls on a weekend, taxes are due the following Monday. Due means postmarked or electronically filed. After April 15th, there are penalties for filing late. Note that the penalties for filing late are more than the penalties for paying late. You can file your taxes on time, but not submit your payment until later. You can also file an extension, which gives you more time to get things together to file.

C3. Investments

When you're 18 and just starting out in life, it probably doesn't seem like the time to start thinking about investments. But it is a good time to learn about investments and key facts about investment income so that you can start planning, in the back of your mind, to make investments starting in a few years. Many people don't start thinking of retirement planning until they're in their 50's, and it's way too late to have a meaningful retirement plan. Start small when you're young, and build on it as you age and retirement gets a little closer.

Investments are most often thought of as your retirement plan, though you may use the income for other purposes along the way. There are several major events in life to save for – this is called goal-based investing. No matter when the event will happen, it's best to start investing when you're young, and grow your investments over many years.

In your leadership training, we've talked about personal goal-setting. The concept is the same here with goal-based investments and retirement planning; it's just long-term instead of near, short, or medium-term. It's not to early to start the good habits that will lead you to build your wealth, even if right now you only have a vague idea of what you're building it to do.

Practical Exercise

Let's think about your future. Do you have plans for the upcoming years? College? Travel? Learning a trade or getting into a career? Marriage? Children? Home ownership? Children's education? What you'll do when you retire?

Are any of these major life events in your future? Which are important to you? Plot out what you think lies in your future over the next several decades. Think ideally – reality can wait!

Do you think you'll receive an inheritance someday? Will you end up caring for your parents or other relatives? What happens if you or someone in your immediate family has a major health emergency? What if you're laid off? What if you divorce or your spouse passes away before you? Don't leave that out of the considerations. If you think of something you DON'T want to happen, how will you avoid it, or at least prepare for it?

In your 20's:
In your 30's:
In your 50's:
In your 60's:
In your 70's:

It doesn't matter that some of that might not happen, or that other opportunities may come along and bump one or more of your 'plans.' That's life! But all these major events are expensive!! How are you going to pay for them? You need to start soon!

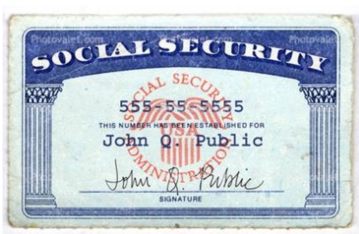
Goal-based investments help save money in a disciplined manner over a period of time. Once you start focusing on your life's goals, you can better identify an accurate investment amount. At the very least, it should provide some motivation for living frugally and saving! (Dubey, 2020)

How do you feel about debt? We want to encourage you to approach debt as a last resort, and something to be managed and erased when possible. Loans can help you accomplish your goals, but they certainly come with a cost. When you make decisions about your life events, you can choose to be wise or you can choose to be wild. Think about what you want versus what you need. In the end, only you can answer that. Do you need to go to an expensive college, or will a state college accomplish your goals? Is your life dream to have a perfect wedding that costs you $100K, or will a smaller, less formal wedding fit into your dreams? Don't deny yourself the joys of life, but be smart about choosing which joys are most important. Having specific goals helps you maintain fiscal discipline.
When you have prioritized your goals and have some idea of what they'll cost, you can budget your funds toward paying the bill. The type and timing of your needs will help define what type of investments you make, and how you place your assets. You should learn more about investing before you put your money into something, but in general it's good to be diversified so you don't get hit hard if

something bad happens in one area of the economy. When you're young and can recover from setbacks, growth funds are popular – this builds your capital faster but incurs more risk. Think of stocks versus bonds, US versus international, growth versus security. At some point, getting advice from an expert is a good idea. For goals with closer requirements, like a wedding, college, or starting a family, steer your money specifically. For overall building of wealth, you can take a longer view.

One of the early keys to investing is to allocate a portion of your earnings to savings, and stick with that through thick and thin. If you can have it taken directly from your paycheck and deposited in an appropriate account – do that. Fight the urge to use it for lesser, pop-up emergencies. But if that happens, find a way to get back on track and try to repay the account.

Few jobs have pensions anymore, but if you work for the government, you may have that option. Understand how your pension works, and how you can make it better for you. The government still offers thrift savings plans of various types, often with matching funds. Do whatever you can to max out on what they match – that's free savings! If your job doesn't have a pension fund, start your own 401(K) as soon as you can, and make that your retirement savings. You may switch employers during your career (and even switch whole career fields), but you can keep feeding savings into your 401(K). Many good employers contribute you your retirement in some way – take advantage of whatever they offer!



Social Security is not likely going to be much of a program by the time you retire, as the US Government has been using the funds collected for decades for other projects, and the generations of workers before you will likely bankrupt the system. We can't predict what will happen in your lifetime, but go into it knowing that your retirement opportunities are up to you, and if you don't save throughout your life, you'll likely need to keep working well past the date you'd like to retire, and potentially have a poor quality of life in your older years.

One of the decisions you'll need to make when investing is to choose between a traditional IRA (Individual Retirement Account) or a Roth IRA, and even some of your investments in non-IRA funds. IRAs help you save money and earn investment income in most of the investments that are available within our financial system – stocks, bonds, mutual funds, ETFs. The Traditional IRA defers taxation of the income until you withdraw it. Theoretically, once you're retired, you'll be in a lower tax bracket, and you won't have to pay the full amount of taxes you would pay during the height of your earning career. A Roth IRA allows qualified withdrawals on a tax-free basis provided certain conditions are satisfied. Roth IRAs are funded with after-tax dollars, so you pay the tax now, and the money you withdraw will be tax-free. (Segal, 2020)

Traditional IRAs: *Invest pre-tax money (lowers your taxes now), pay taxes when you withdraw it. Has minimum distributions after age 70.5. Reduces your taxes owed.*

Roth IRAs: *Post-tax money (pay your tax now), tax-free when you withdraw it. Has no minimum distributions. No tax breaks.*

Investing your hard-earned money is a big step. How do you know where to put it so you won't lose it? We recommend you stay with established companies and stay away from get-rich-quick claims. If it sounds too good to be true, it is! When you're starting out, put your money into a mutual fund like Vanguard or Fidelity. They have many different funds, and you can select one that's pro-growth without being too risky. Buying stocks directly, unless you know what you're doing, isn't the wise way to go. Once you have some capital, you might want to think about real estate – it's been a good bet so far. But mutual funds are maybe the easiest and safest way to get started.

C4. Money and Relationships

One of the top things people argue about, and fall out with each other about, is money. Money problems cause a lot of stress, and when you're in a relationship, that stress often tarnishes the relationship.

We can't give you marital counseling, but we can give you a little advice. In the end, you'll have to pick your own way through this potential minefield and figure out what works best for you. Here's what Rachel Cruze has to say (Cruze, 2020). It's written for married couples but take it for what it may mean to you when/if you are in that position.

1. KEEP A JOINT BANK ACCOUNT.

Some couples think the best way to avoid money arguments is to keep separate checking accounts. His paycheck goes into one account, hers goes into another, and they each pay bills separately. No harm, no foul, *right?* Wrong. This lays the groundwork for major problems with your money and marriage.

But you guys, marriage is a partnership. The officiant said, "Two become one." Separating the money and splitting the bills is a bad idea that only leads to more money and relationship problems down the road. Don't keep separate accounts. Put all of your money together and begin to look at it as a whole.

2. DISCUSS YOUR LIFESTYLE CHOICES *TOGETHER*.
Let's say you're perfectly content shopping at Goodwill when you need to update your wardrobe, but your spouse loves to buy name-brand items at full price. If you have an income that doesn't support expensive taste, that's going to be a problem.

Marriage is all about compromise. If one of you has more expensive taste, consider shopping at an outlet mall to snag those name brands at affordable prices. Because the bottom line is: Your lifestyle needs to line up with your actual income—not what you wish it was. You might want to live like a perfectly curated Instagram post, but don't let yourself fall down that rabbit hole. Especially when there aren't enough zeros in your bank account.

3. RECOGNIZE YOUR DIFFERENCE IN PERSONALITY.
Everyone's money mindset is different, and opposites tend to attract. Chances are, one of you loves working with numbers (the nerd) and the other one would rather not be tied down by what the numbers show (the free spirit). One of you might be the saver and the other is more inclined to spend. *Are you a nerd or free spirit? Do you value safety or status? Take my new money quiz to discover your unique set of money beliefs!*

While personality differences cause some marital problems, it isn't the real root of your money and marriage issues. The source of the problem is whenever one of you neglects to hear the other's input, or when one of you bows out from handling the finances altogether. Listen up, financial nerds. Don't keep the money details all to yourself. And stop using your "knowledge" to boss around your free-spirit spouse. If you're the more carefree spouse, don't just nod your head and say, "That looks great, babe." You have a vote in the budget meetings! Give feedback, criticism and encouragement. News flash: You're both on the same team here, so work on the budget together! Use your personality differences to become a stronger, more united team.

4. DON'T LET SALARY DIFFERENCES COME BETWEEN YOU.
For most couples, one of them probably makes more money than the other. Rarely will you both be making the exact same salary. But whether the amount comes to $50 or $50,000 more a year, the same problem can arise. Instead of seeing the full pot as "our money," you might think you have leverage over your spouse—all thanks to a few extra digits on your paycheck. Sometimes the spouse bringing in the most money can feel entitled to the most say. *Don't even go there.* That's just asking for more money and relationship troubles. It's not *yours* or *mine*—it's *ours*. There's no reason to hold a higher income over the other's head. *You're on the same team.* Start acting like it.

On the other end of the spectrum, the one who makes less or stays at home with the kids might feel like they shouldn't have as much say. I've heard many stay-at-home moms tell me they feel guilty for speaking into the budget or even spending money on anything more than the bare necessities. But remember, you're on the same team. You have equal say in your money and marriage. And don't even get my started on the value stay-at-home parents provide—you're already saving your family money in so many ways!

5. KEEP PURCHASES OUT IN THE OPEN.

Being unfaithful to your spouse doesn't always involve an affair. Sometimes it's when you're unfaithful to a shared financial goal by opening a side bank account or stashing away cash. That's deceitful. The same applies if you have a credit card your spouse knows nothing about.

It's crucial to be open and honest about any side checking or savings accounts or secret credit cards you have. It's time to own up to the truth and clear the air. Then, work toward establishing financial trust again. Recommit to your shared financial goals and remember *why* you're doing it. You're in this together!

6. SET EXPECTATIONS TOGETHER.
When it comes to money and relationships, unmet expectations can cause a lot of conflict. The quickest way to feel unfulfilled and unsatisfied with your spouse is when you expect things to go a certain way, only to find out reality is a *bit* different. If you've always thought you have to immediately buy a house after getting married, you might feel let down when you celebrate your first anniversary in the apartment you're renting. Don't let your unrealistic expectations pave the way for money and marriage problems!

There's no rule stating married couples have to buy a home, start a family, or go on a trip to Paris during their first year of marriage. If those things aren't feasible for you right now, stop worrying. Get your money in order *now* so that *later* you can make your dreams a reality.

7. DON'T LET THE KIDS RUN THE SHOW.
Your kids are begging you for the latest video game. You think about how well they've behaved lately and figure, why not? But your spouse is upset because it isn't in the budget. *Hello, Impending Money Argument! Would you like to take a seat right between Unmet Expectations and Personality Differences? We'll be right with you.* Whether it's buying them toys, giving them an allowance, or just paying for their sports equipment, kids have a way of bringing out the way couples view money differently. You need to come together, talk about it, and make a plan. Decide together how to budget for the things your children need. But what about all of their pesky *wants*? Discuss the possibility of establishing chores and a commission (or allowance) for the work they do. This can help them establish a great work ethic, all while teaching them how important it is to wait for the things you want in life!

MONEY AND MARRIAGE SHOULD GO HAND IN HAND
It's time to stop making these money mistakes and find common ground. Because, listen, cultivating a solid marriage takes time and work. It can be an awkward or even frustrating process, but you *can* learn how to discuss your finances in a more productive way. And if you guys *really* want to stop making the same mistakes with money, I want you to check out my new book, *Know Yourself, Know Your Money*. In the book, I reveal the everyday tendencies that keep people stuck in bad money habits. Then I'll show you and your spouse how to overcome your hang-ups around money. This will be a game changer for your money and marriage, and it will help you create a life you love together.

And remember, you married this person for a reason. Believe it or not, you need their skills, insight and perspective—especially the ones you don't have. That free spirit or nerd can bring valuable insight and knowledge to the table. They're your teammate, and it's time to start treating them like one.

C5. Giving

"They" say that it is better to give than to receive. You may or may not agree with this, but giving is a lot of fun, and makes you feel good about yourself.

Studies show that 90% of wealthy households give generously to charities. Americans are generous people, and giving, of both money and time, is a positive characteristic of our society.

But most of us aren't wealthy – we can barely make ends meet! Giving is easy if you have it to give, but unfortunately, most of us are more on the receiving end of charities. Of course, where you are in your life right now is quite different from where you'll be 20, 30, or 50 years from now. We hope that you will be successful in life, and that you'll be in a position to take some of this information and advice into account when you're able to. But giving isn't just a hobby for the wealthy. It's a philosophy that can help you be the better person you want to be. You ARE able to give NOW – and you'll likely feel great when you do.

Here are some facts and statistics about giving that might make you think (Nikolovska, 2020):

Americans are by far the most generous nation.
The annual private philanthropy in the United States represents 1.44% of the country's GDP. This is almost twice as high as the 0.77% recorded in Canada. Next on the list come the UK (0.54%), Korea (0.50%), Singapore (0.39%), and Italy (0.30%). China's private philanthropy makes for only 0.03% of the country's GDP. Australia, Japan, and Germany have annual private philanthropy levels of 0.23%, 0.12%, and 0.17%, respectively.
(Philanthropy Roundtable)

About one-third of people who donate to charity give tribute gifts.
Charity donation statistics show that 33% of donors worldwide say they give tribute gifts to friends and family. The three top occasions for tribute gifts are memorials (43%), birthdays (25%), and other significant events (24%). About 10% and 3% of the tribute gifts are given on religious holidays and weddings. New babies and graduations are also popular occasions for about 2% and 1% of those who give tribute gifts.
(Giving USA)

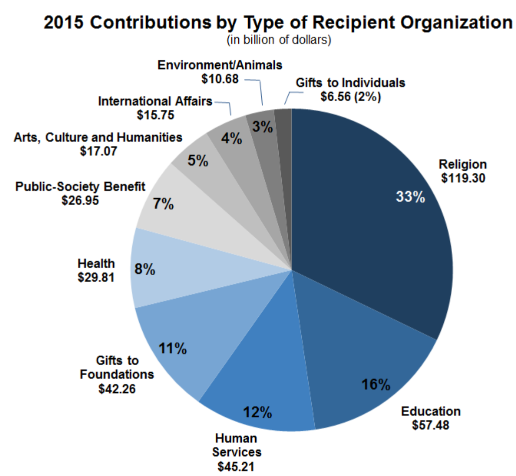
Less than 70% of all money raised goes to charity.
The percentage of donations that actually go to charity is about 67, according to fundraiser statistics from 2017. This figure shows a slight improvement in charity percentage of donation compared to 2015 when 65% went to charity and the rest to fundraising costs. (lohud)

Nearly one-third of annual giving in the US arrives in December.
About 30% of all annual donations in America come in December, according to charitable giving by month insights. Approximately 10% of all donations take place on the last three days of the year, right before New Year's Eve. US charitable giving statistics further show that 64% of all donations come from women, while 77% of Americans believe charity can make a difference. Almost 70% (69%) of the US population donates money.
(Nonprofits Source)

Over 90% of high-income families give to charities.
About 91% of wealthy households donate money. Their average annual donation moves around $25,509, much higher than the general average of $2,520. Giving to charities, however, earns households tax deductions of up to 50% of their adjusted gross income, as indicated by United States charity statistics. (High-income is measured in this case as more than $200K/year or $1M net worth)
(Nonprofits Source)

Almost 40% of all charitable donations go to religion.
Church giving statistics show that a total of 39% of all donations go for religious causes, with 80% of those donations coming from individuals. Education and human services are two popular causes among Americans who donate money, with 19 and 15 in charity donation percentage, respectively. The list is rounded up with health (11%), overseas assistance (7%), arts (6%), and nature (4%).
(Philanthropy Roundtable)

Individual contributions represent the largest share of charity donations in America ($292 Billion).
About 80% of all donations come from individuals, per the latest charitable giving statistics. Among that individual charity donation percentage, 71% come from living people, and 9% from wills. Foundations represent the second-highest donor with contributions of 15%. Finally, the remaining 5% comes from corporations.
(Philanthropy Roundtable)



Even with all-time high donations, public charities make the most money from charging fees.
Nonprofit fundraising statistics show that public charities organize events, sell used clothes, provide expertise, and more. All these services earn them 72% of their total revenue. Private contributions, in contrast, represent only about 13%. The other two income sources for public charities in America are endowment investments (7%) and government grants (8%).
(Philanthropy Roundtable)

Americans don't donate money only but also their time and effort.
About 25% of all American adults volunteer. The annual number of volunteers in the United States is 63 million. The average yearly time invested per volunteer is 139 hours. The total number of hours US volunteers invest a year is about 8.7 billion, per the American philanthropy statistics.
(Philanthropy Roundtable)

Americans who make the most money also donate the most money to charity causes.
Charitable giving by income group figures show that households that earn over $162,000 give, on average, $5,805. This amount represents about 2% of their income. Around 93% of these families donate money to charities. As the yearly income of a household drops, the percentage they contribute grows. So, families making under $25,000 give about 12% of their income to charities. Their average donation is $934, but only 37% of these households donate money.
(Philanthropy Roundtable)

Americans living in Utah donate the largest percentage of their income.
People from this state donate, on average, 6.6% of their annual income, donation trends show. The top

five list is rounded up with Mississippi (5.0%), Alabama (4.9%), Tennessee (4.5%), and Georgia (4.3%). At the other end of the spectrum is New Hampshire, whose families give only 1.7% of their income. Families from Maine, Vermont, and New Jersey are also at the bottom giving only 2.0% of their annual earnings.
(Philanthropy Roundtable)

Almot 30% of American schools earn over $75,000 a year from fundraising.
The average annual fundraising income for most schools (35%), however, is between $0 and $5,000. School fundraising statistics show that school groups manage to raise over $1.5 billion each year by selling products. About 71% of parents claimed to get involved in such fundraising quests by selling products to family, friends, and colleagues.
(Nonprofits Source)

Environmental and rights nonprofits saw the highest growth in online donations.
Online charity has been on the rise, and its revenue jumped by 23% in 2017. Every sector noted significant improvements, but the biggest progress of 34% and 37% was seen among environmental and rights nonprofits.
(Nonprofits Source)

Total online donation revenue has been continually growing.
In 2017, Americans used the Internet to donate about $31 billion to charities and nonprofits. This amount has been growing year over year even since 2012. Back then, the total online charitable giving was $19.2 billion, according to fundraising statistics.
(Nonprofits Source)

The average online donation is just under $130.
Online donors in the United States give an average donation of $128. Recurring online donors tend to give more to charities and nonprofits. Their average annual donation is $326. More than half (54%) of donors prefer online contributions via a credit or a debit card. PayPal, mobile apps, and text messages are the top choice for 9%, 4%, and 1% of donors worldwide, according to online giving statistics. Also, 51% of wealthy individuals who give to charity prefer to donate money online. So, it’s not surprising that 67% of nonprofits worldwide accept online charitable giving.
(Nonprofits Source)

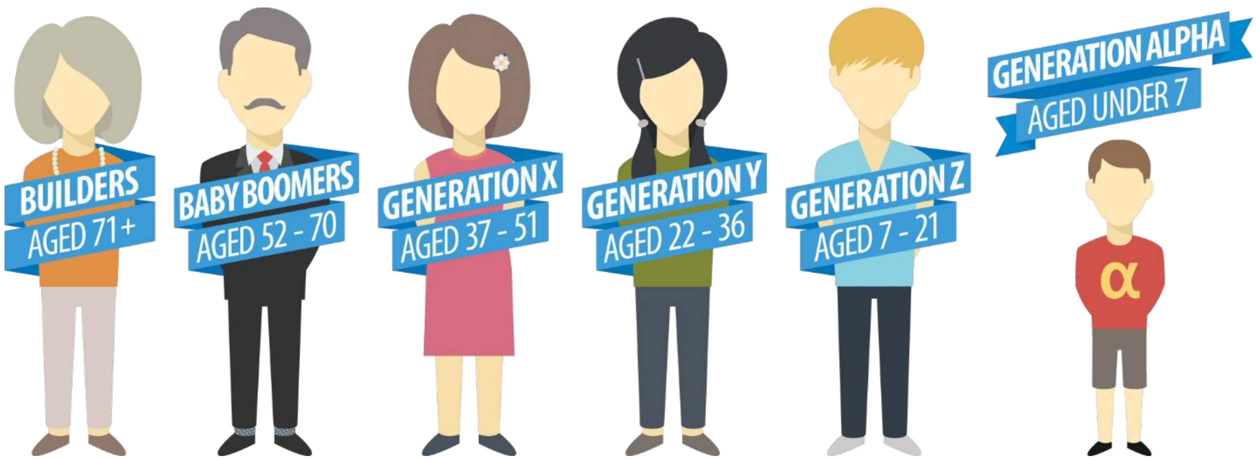
Nonprofits received, on average, $42 per 1000 fundraising emails sent.
Email marketing is one of the ways charities and nonprofits reach donors. The latest nonprofit statistics show that small nonprofits with less than 100,000 subscribers get on average $71 per 1,000 emails sent. Medium and large nonprofits with 100,000-500,000 and over 500,000 subscribers generate fewer funds. Their respective averages per 1,000 emails sent are $36 and $32.
(Nonprofits Source)

Giving Tuesday remains a popular global event, both offline and online.
Fundraiser statistics show that in 2019, GivingTuesday collected $511 million in online and $1.46 billion in offline donations. In the same year, there were over 400 community campaigns in 60 countries. GivingTuesday is especially popular in the United States, where the number of community campaigns jumped by 57%. In 2018, there were 127 campaigns, while in 2019 the number surpassed 200.
(GivingTuesday)

Facebook is the top social medium for inspiring charity giving.
About 56% of donors worldwide said that Facebook inspired them to donate money. In fact, statistics on charitable giving show about 18% of global donors have used Facebook Fundraising Tools to donate money. Instagram and Twitter come next in terms of influence with 20% and 13% naming them as inspiration for donating money. All the other social media have significantly less influence. Here we have YouTube (6%), LinkedIn (4%), WhatsApp (2%), and Pinterest (0.3%).
(Giving USA)

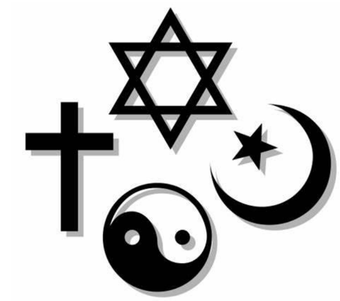
Millennials contribute to 11% of all US donations.
About 40% of individuals from this generation participate in one or more monthly giving programs. Per the latest charity stats, almost half of them (46%) donate money through crowdfunding platforms.
As for giving to charity, 84% of Millennials claim to do so. They usually contribute to an average of 3.3 charity organizations, and their average donation to charity is about $481. Almost half of Millennials (47%) donate money through websites, highlighting the gradual shift towards online donating.
(Nonprofits Source)

Almost 50% of Gen X Americans participate in monthly giving programs.
A total of 49% of people from this generation give money through such programs, while 31% provide tribute gifts. Philanthropy statistics show that 45% of Gen Xers donate through crowdfunding campaigns, while 19% donate money via Facebook. Generation X Americans often use social media and, therefore, about 59% were inspired to give money through social networks.
(Nonprofits Source)



72% of Baby Boomers in America give money to charity.
This generation beats all the rest, except for the Silent Generation when it comes to donation numbers. The average annual donation among Baby Boomers is $1,212. They give money to about 4.5 organizations, show the charitable giving statistics by age group. About 49% of people from this generation donate through monthly giving programs, while 35% give through crowdfunding. About 21% of Baby Boomers use Facebook tools to donate money to charity, and 58% of them go to fundraising events.
(Nonprofits Source)

Statistics on charitable giving demographics show that Americans from the Silent Generation (in this graphic – Builders) give money to charity more often than any other generation.
About 30% of Americans over 75 have donated money online in the past year. Plus, the trends in charitable giving show that people from this generation give on average 25% more often than the rest. Donations from the Silent Generation make up 26% of all contributions. Silent Generation Americans also tend to give to more charities (6.2 organizations) and more money per year ($1,365). (Editor's note: older generations, more stable financially and with fewer needs, and wanting to contribute to causes they believe in, donate more usually because they have more. All generations, as they age, will cycle through this.)
(Nonprofits Source)



Jewish, Christian and Muslim donors contribute more to monthly giving programs than Buddhist and Hindu donors.
Charitable giving by denomination numbers show that about 45% of Christians are enrolled in a monthly giving program. Only 39% of Buddhists and 36% of Hindus, in contrast, are enrolled in such programs. Fundraising events attract about 62% of Christian donors, while they're not as attractive among Buddhists (29%) and Hindus (36%). As for the favorite donating method, Buddhists prefer bank transfer, Christians direct mail, and Hindus cash, per the charity giving statistics.
Focusing on Jewish and Muslim donors, 50% and 45%, respectively, are enrolled in monthly giving programs. Contributors from both religions (53% and 35%) prefer to donate online via credit and debit cards. Almost half of the donors from these religious groups (50% and 52%) attend fundraising events, charitable giving by religion trends show.
(Giving USA)

Final Words.
Charity trends are slowly changing. While individuals remain the prominent donors, the causes for giving and ways of donating are shifting. Religion is still the number one cause for donating, but the environment and human rights have noted strong growth too. The latest charitable giving statistics further show that more donors turn to online giving. Also, social media and especially Facebook, establish as a great way to reach new contributors and raise more money.

References: Philanthropy Roundtable, NPT UK, Sector Source, Giving USA, Nonprofits Source, Giving USA, NP Trust, GivingTuesday, Nonprofits Source

Generosity: The California Cadet Corps is committed to making you a better person, and certainly a better citizen. Embracing generosity as a value, giving of yourself to others in your community, state, and nation is a part of that process. That's why we emphasize and reward school and community service for all cadets and units. Helping those who are less fortunate than you makes you a good person. Contributing to a better world makes your presence on this world worthwhile. Whether what you give is a little or a lot, whether it's money or time and effort or sometimes just your compassion and empathy – it makes you a better person. Generosity isn't just about money – it's about being able to give of yourself to those who need you.

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