

# Girl Money Notes and Explanations

[Girl Money Spreadsheet](#) Explainer

Some of my thoughts about how your money is organized and a few crib notes of the [/r/personalfinance wiki](#) and their [young adults wiki](#).

## Some Steps to Take

### Step 0

Set up a realistic budget for yourself. Since you're in school, you could break it down by each semester and the summer (~15 weeks in each). You largely know what your expenses are. To help you get a better understanding of what things cost, I think you should include all the stuff your folks pay for (tuition, phone, car insurance, etc) and include them on the income side too. In the personal finance world, we say to cover your "four walls" first:

1. Housing (rent/mortgage/dorm),
2. Food (groceries/meal plan)
3. Essentials (water/heat/toiletries, etc)
4. Income earning expenses (car payment/insurance, internet/phone plan)

Great news, your four walls are adequately covered! Again, I'd still account for them in your expenses so it helps you have a good understanding of your finances, but you're in great shape.

You could do a simple budget in Google Sheets (I've got your first year school setup in the spreadsheet) or use budgeting software like [Actual](#). I have [Actual self-hosted for free](#) on my personal server, if you want to do something like that. I would love to help you get it setup.

My advice is to break your budgeting down by weeks per semester, throw all the things that you might spend money on and all your sources of income in there to have a good understanding of what is going where. Don't break out expenses across the semester as an average, instead put the amount that is due/earned in the cell of the week that it happens.

Don't get too worked up about this, it's just for visualizing purposes. You're safe, secure, and blessed. You are enough. Your parents are taking care of most of this stuff for you, and that's ok.

## Step 1

Build a "baby" emergency fund of \$1,000. Now that you have an idea of what it costs for a semester, you might have a better idea of what your "regular" emergency fund should look like. You said you are setting aside \$1,000 for your emergency fund - that's AWESOME. This is checked off the list!

Your emergency fund should be [liquid](#), but not attached to your primary bank/checking account so that if you have an emergency you can cover the cost right away but you also aren't tempted to "splurge" or dip into your emergency fund for frivolous things. In your current account setup the best places for your emergency fund should be either your Wealthfront account (5.5% interest until August, then 5% after that) or your the cash fund of your Vanguard Brokerage account (I think it was about 4.65% if my memory serves). Just make sure you move it out of your checking account and into one of these interest bearing accounts.

You should only use the emergency funds for true emergencies that are unexpected and urgent. Examples include sudden medical expenses, emergency travel home, unexpected car repairs, or replacing essential items like a broken laptop needed for schoolwork. It's crucial to avoid using this fund for non-essential expenses like concert tickets, new clothes, or planned outings. The main purpose of your emergency fund is to provide financial security and peace of mind, ensuring you have a safety net for life's unforeseen challenges during your college years.

## Step 2

Is technically "pay off debts". You don't have any. Keep it that way.

# Step 3

Build up your fully funded emergency fund (FFEF). This is probably not going to be relevant until you're out of school. If you decide to start working in the spring semester, it might be more relevant, but don't starve yourself or really struggle to get this done until after graduation.

The general rule of thumb is 3-6 months of ESSENTIAL expenses (and I like to use the most expensive 3-6 months of the year). You should grow your \$1000 into the FFEF by cash flowing it or using windfalls (gifts, inheritances, etc.). Again, since you're in school this is a low priority. Once you graduate though, protect yourself by getting this done.

# Step 4

Step 4 and beyond are about getting your retirement in place and saving for stuff bigger expenses like a house and stuff like that. If you start a business while you're in school or get hired full time while you're still in school or something, we can go more in depth, but for the next 4 years this is where you should stop. If you have this steps 0 - 3 in place, you will be way ahead of most full-grown adults: you'll have a positive [net worth](#) coming out of college! Congratulations!

# Accounts Structure & Planning

I wanted to leave you with some notes about what all we setup the weekend of your highschool graduation. It all happened quickly, and it'd be easy enough to not remember it all in the best of circumstances.

## Personal Banking - Central Bank

- Checking account: this is where you should be depositing your paychecks. In theory, it's attached to a debit card so you can easily access your money. Move your money from other accounts (Vanguard/Wealthfront) from here into there.

- Savings account: honestly, savings accounts like this are just not useful these days. Once upon a time, they bore more interest and were useful for consumers like us, but nowadays there are better places to keep your money. If you want to keep track of very short term savings, this is an ok place to do it.

## High Yield Savings - Wealthfront

- This is the account we set up for you to store your fall semester \$2,000. For the first three months it will earn 5.5%, and then 5% after that, unless the [Federal Reserve Chairman adjusts rates](#) (they could go up or down. You'll get emails from Wealthfront when they change, just keep an eye out). Instead of taking all the money out at once, transfer your budgeted amount each week - you'll earn more interest that way!

## Investing - Vanguard

- [Brokerage account](#): this is your "stock gambling account". The money in this account is taxable if you make a profit, even if you already paid income taxes from a job on the money. That's ok though: you only pay taxes when you make money! Only "gamble" with money you can afford to lose. If you want to save for a long term (3-5 years) goal, you could put money into [conservative ETFs that are a mix of stocks](#). If you have money in the brokerage account that is not in a stock or a fund, it bears interest at 4.65% (when you set it up). This rate will fluctuate similarly to Wealthfront. Not a terrible place to sock away cash if you have nowhere else to put it.
- [ROTH IRA](#): This is your retirement fund. You initially wanted to fund it with \$2,000-\$3,000. Once you put the money in there, don't forget to invest it in a mix of the [Vanguard 2070 Retirement Fund](#) and a fund that tracks the market like the [Vanguard S&P ETF \(VOO\)](#) or the [Vanguard 500 Index Fund \(VFIAX\)](#). They are very similar; you don't need both, and the differences are so small as to be irrelevant. If it were me, I'd go with VFIAX. Make the 2070 retirement fund the majority of your purchase (some where between 55%-60%) and the remainder in VOO or VFIAX. If you put more money in, don't forget to buy more funds! Once you buy funds in this account, let them play. If you want to try other strategies, do it with new money you add to this account - don't mess around trying to "game the market". You're in this for the long haul.

Until you get an employer sponsored retirement account like a 401k or a 403b, this is where you stick money you want to save for retirement (plan to put in ~10% of your gross income if you don't have a work sponsored account). You shouldn't plan to touch it until you're a little old lady. If you withdraw from this account, you'll probably be hit with really high tax penalties.

# Long-term Planning

When we were talking, you mentioned that you wanted to start making a plan for a few long-term goals. That's a great idea! It'll take a little work and some sacrifice, but you can really set yourself up for a lifetime of success with good goal planning. In Boy Scouts, our leadership training uses the concept of "[building a ticket](#)" and SMART Goals to make a plan. Within each ticket you build [SMART goals](#) that correspond to specific areas in your life. One of your tickets should be for finances. You could have short-term and/or long-term goals in a ticket.

For example: "I want to have a down payment on a house." As it is written, it's just a dream. No specific timeframe, no amount, no way of knowing whether it is achieved. A SMART goal would be, "By my 25th birthday (April 20, 2031), I will have saved \$60,000, or 20% of a \$300,000 house."

- Specific: The amount to be saved is clearly defined as \$60,000 for a \$300,000 house.
- Measurable: The goal is quantifiable; you will know if you have reached \$60,000.
- Achievable: Consider whether saving \$60,000 by the target date is realistic, which requires saving about \$8,600 per year. It should be within your control and not reliant on external factors like inheritances or winning the lottery.
- Relevant: The goal is aligned with your personal desire to own a house, making it significant and meaningful.
- Timely: The goal has a clear deadline of your 25th birthday, providing a specific timeframe for achievement.

SMART goal planning doesn't have to just be for finances! It can also be used for school, health, work, business, and pretty much anywhere you want to achieve success.

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