

# A One-Page Financial Plan for a College Graduate (as of Oct. 2023)

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## Lifetime Goals

- Increase thy ability to earn, via college degree(s) and lifetime learning (including additional online certificates), and via enhancement of skills (including all aspects of emotional intelligence)
  - Enhance your success via self-control, grit, daily positivity, and continual comfort zone expansion
- Engage in career(s) that either directly or indirectly assist you to fulfill your purpose in life
- Establish and maintain close relationships with friends, family members, and your communities
- Achieve “financial freedom” earlier in life

## Cash Flow and Tax Planning

- Save 18% of your gross income each year
  - Take full advantage of your employer match
  - Have funds withheld from your paycheck, to extent possible
- Savings is then utilized for:
  - Contribute to Roth 401(k) / Roth 403(b) account to extent necessary to secure full amount of any employer match
  - Establish cash reserve equal to 6 months of your necessary expenditures; use high-yield savings or money market
  - If possess a high-deductible health plan (HDHP) with employer, contribute maximum amount permitted each year to your Health Savings Account. Invest HSA balance not likely to be utilized for health care expenses in mutual funds
  - Pay down “bad” debt – i.e., any debt with interest rate exceeding 6%
    - Extra payments made on debt with highest interest rate
  - Fund Roth IRA to extent permitted by tax law (\$7,000 per year in 2024; if 50 or above \$8,000/year)
    - (If resident of KY, to traditional IRA, then convert immediately to Roth IRA, to save on state income tax)
  - Any additional savings above the foregoing to Roth 401(k) / Roth 403(b) account, or set aside for home purchase
- Expenditures planning
  - Use “You Need a Budget” to track everything, and to “give each dollar a job”
    - Have high-yield savings account to save up to purchase next car/truck for cash (if no car payment)
  - Minimize 2 of the 3 major expenses in life, by smart purchases
    - Vehicles (car/truck): buy reliable used car with 1 year still under warranty; keep for another 10+ years
      - Avoid extended warranty; buy PHEV or hybrid to save on gas; try to save up to purchase car
      - Research “True Cost to Own” at Edmunds. Seek to minimize 5-year cost
      - If possible, avoid financing by purchasing for cash. Then increase deductible on car insurance.
    - Home ownership or apartment: Have roommates to cut down substantially on rental / utilities / cable costs
      - Possess very stable job before any home purchase
      - Purchase smaller home in a good neighborhood with low crime rate, good schools
      - Save for closing costs and down payment; try to avoid private mortgage insurance (20% down)
  - Buy high-quality goods that will last, that are on sale
    - Ask before buying: “Will I still own and use this 20 years from now?”
    - Wait 4-6 years for new smart phone purchase, and/or new laptop purchase

## Risk Management

- With an adequate cash reserve in place, increase deductibles on car/truck/homeowners/renters insurance
- Obtain will, durable power of attorney, and advance health care directives (now)
- Just before conceiving a child, obtain a revocable living trust, and undertake correct beneficiary designations on accounts, and plan for any potential inheritance for any child/children to be held in trust and used for maintenance, education, support and health care with distributions later in life (age 30 or later) of larger amounts over time; name guardian
- Just before conceiving a child, obtain 25- or 30-year term life insurance, convertible at any time into cash value policy, for an amount equal to 20x to 25x your annual gross salary. Also consider disability (income) insurance.

## Investment Planning

- Invest aggressively until 20 years from retirement
- Use multi-factor investing that provides very strong probability of enhanced returns via low-cost stock mutual funds/ETFs
- Establish asset allocation with these specific investments (if found in various accounts available to you); use limit orders to purchase: (1) 50% DFA U.S. Small Cap Value ETF (DFSX); (2) 25% DFA International Small Cap Value ETF (DISV); (3) 25% DFA Emerging Markets Core Equity 2 ETF (DFEM).
- In 401(k)/403(b)/HSA accounts, find stock funds utilizing value, small cap, profitability/quality factors, in lieu of above ETFs
- Rebalance back to original 50%/25%/25% target asset allocation once a year
- Establish and fund 529 college savings plan to assist in funding your child’s/children’s future educational expenses
- When 20 years from retirement, fee-only financial and investment adviser for financial advice/fiduciary investment advice
- Keep total fees and costs (for financial advice, and for mutual funds/ETFs/other investments) below 1% annually

## Books to Read, Videos to Watch, and Concepts to Know

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As of October 2023

### Books Every Investor Should Read (in this order)

- *The Richest Man in Babylon*, by George Samuel Clason (in public domain; PDF versions of this book available online)
- *Atomic Habits*, by James Clear
- *Common Sense on Mutual Funds*, by John C. (“Jack”) Bogle
- *The Behavior Gap*, by Carl Richards
- *Mastering the Science and Art of Investing: Multi-Factor Strategies for Portfolios Both Prior to and During Retirement*, by Ron A. Rhoades (and blog posts at ronrhoades.com)
- *Dollars and Sense: How We Misthink Money and How to Spend Smarter*, by Dan Ariely
- *A Random Walk Down Wall Street*, by Burton Malkiel
- *The Millionaire Next Door*, by Thomas J. Stanley
- *The New Retirementality: Planning Your Life and Living Your Dreams...at Any Age You Want*, by Mitch Anthony

### YouTube Videos for Personal Growth and Self-Development

- The Time You Have (in Jelly Beans) (2:44)
- Look Up / Gary Turk (put down your phone) (4:59)
- Dr. James Maas: Sleep for Success (12:06)
- Dr. Maas on Sleeping for Success (3:47)
- What a Good Night’s Sleep Does for the Brain (2:28)
- Marcus Taylor / Why Expand Comfort Zones (5:51)
- Sunnier Days - Sesame Street / (Self-Control) (9:36)
- Grit / Angela Lee Duckworth (6:12)
- Big Talk / Kalina (6:24)
- The Skill of Self-Confidence / Dr. Ivan Joseph (13:21)
- 100 Days Without Fear / Michelle Poler (15:00)
- 8 Secrets of Success / Richard St. John (3:25)
- An Experiment in Gratitude: The Science of Happiness (7:13)
- Oprah’s Gratitude Journal / Oprah’s LifeClass (3:38)
- Shawn Achor / Happiness Advantage (12:29)
- What Makes a Good Life? Lessons from the Longest Study on Happiness (12:46)
- Stacy Kramer: The Best Gift I Ever Survived (3:17)

### Financial Concepts You Should Know

- Time Value of Money
- Compound Interest
  - (Why saving/investing early in life is essential)
- Give Every Dollar a Job (Personal Budgeting)
- Opportunity Cost
- The Necessity for Investments to Outpace Inflation
- Cost/Benefit Analyses
- Diversification
- “Buy Low, Sell High”
- Asset Classes
- Strategic Asset Allocation
- Mutual Funds and ETFs (and their fees/costs)
- Passive Management Beats (Most) Active Management
- Multi-Factor Equity (Stock) Investing
- Fiduciary vs. Non-Fiduciary Investment Advice
- Financial Freedom

### Personal Development Concepts You Should Know

- Choose to Become Extraordinary (Don’t let average describe your life)
- Emotional Intelligence (and its Four Domains)
- Enhanced Learning via Spaced Interval Learning and Retrieval Practice
- The Power of Sleep
- Self-Control; Grit (Perseverance)
- The Necessity for Continual Comfort Zone Expansion
- Transform Human Capital into Financial Capital
- The Importance of Deep Relationships to Happiness/Health
- Ethical decision-making via Consequentialist vs. Categorical Moral Reasoning
- Integrity
- The Importance of Trust
- “Catch Them Why They Are Good”
- To Become a Good Parent, Become a Better Person First (Parents as Role Models)
- How to Project Your Social Security Retirement Benefits
- Why Traditional Medicare (Parts A/B/D with Medicare Supplemental Insurance) is Preferred Over Medicare Advantage