2020

FOLLOW THE MONEY

Crash Course on Young Professional Financial Optimization

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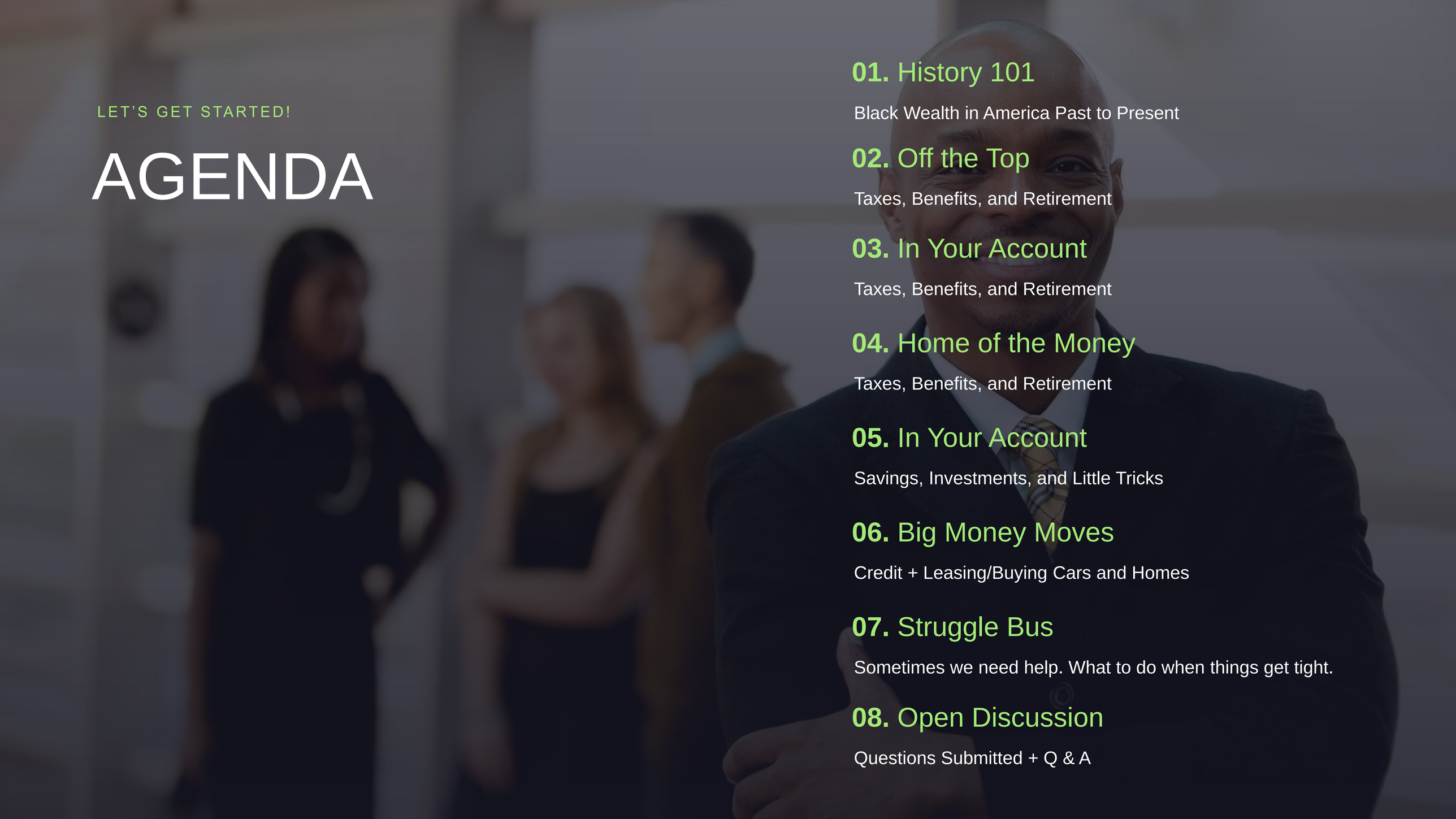
BLACK YOUNG PROFESSIONALS
OF METRO DETROIT

PREAMBLE.

- This is **not** a financial literacy class, pocket watching or lifestyle shaming session.
- Not here to make you rich. We’re here to make sure you don’t go broke.
- This is a 10,000 foot view of your personal economic ecosystem, with special stops along the way.
  - Part History, Part Practicality.
- Take notes and ask questions. Get what you want to know. Open Discussion + Q&A at the end.

LET’S GET STARTED!

AGENDA



01. History 101

Black Wealth in America Past to Present

02. Off the Top

Taxes, Benefits, and Retirement

03. In Your Account

Taxes, Benefits, and Retirement

04. Home of the Money

Taxes, Benefits, and Retirement

05. In Your Account

Savings, Investments, and Little Tricks

06. Big Money Moves

Credit + Leasing/Buying Cars and Homes

07. Struggle Bus

Sometimes we need help. What to do when things get tight.

08. Open Discussion

Questions Submitted + Q & A

HISTORIC LENS.

FINDING OUR WAY

- Although our population kept growing, our fraction dropped from 13% to 11% during this time
- **Major Legislation:** 13th, 14th, and 15th Amendments to the Constitution
- Reconstruction provided pathways to Black socio-political opportunity but was cut-short by the 1877 Compromise
- Failed promise of 40 Acres and a Mule.
  Rise of Sharecropping.

BUILD & BURN

- Although our population kept growing, our fraction dropped from 11% to 10% during this time
- **Major Legislation:** Local ordinances and Federal orders driving segregation, including National Housing Act of 1934
- Great migration north. Beginning of **Black organizations** and business formation including Civil Rights NGOs, Black-owned Periodicals
- Race riots begin picking up, including the burning of competitive businesses and Black Wall street

POLITICAL POWER.

- With Black population growth we seen an increase from 10% to 12%
- **Major Legislation:** Brown v. Board of Education, Civil Rights Act of 1968, Affirmative Action, Crime Bill, Welfare Reform
- Black Panthers formed. Won mayoral races in major cities, more **major Black businesses started** especially in media. Affirmative action career opportunities.
- MLK assassinated, race riots continued, war on drugs intensified mass incarceration

OBAMA.

- Black population increases from 12% to 14%
- Major Legislation: **None.**
- **Post-racial delusions** with the election of Obama. **Police militarization** on the uptick. Economic downturn impacts Black community the hardest; **Foreclosure** crisis stemming from predatory/subprime lending.
- Recession hits 07’-09’;
  Student Loan “Crisis” 08’;
  Bank Bailout and Auto Industry Bailout

BLACK LIVES MATTER.

- We remain stable around 14% of the national population
- Major Legislation: **None.**
- **No notable Black rebound** from economic downturn. Many people lost homes and retirement by this point.
- Up rise of the **Black Power of Millennials**, including Black Lives Matter movement. Realization of the growing **racial wealth gap**. Police brutality and unarmed killings.

The Current Situation

Median Household Incomes

Our median household incomes are 35% less than the national average.

National Wealth Share

We own only 2% of the national wealth overall, while making up 14% of the population.

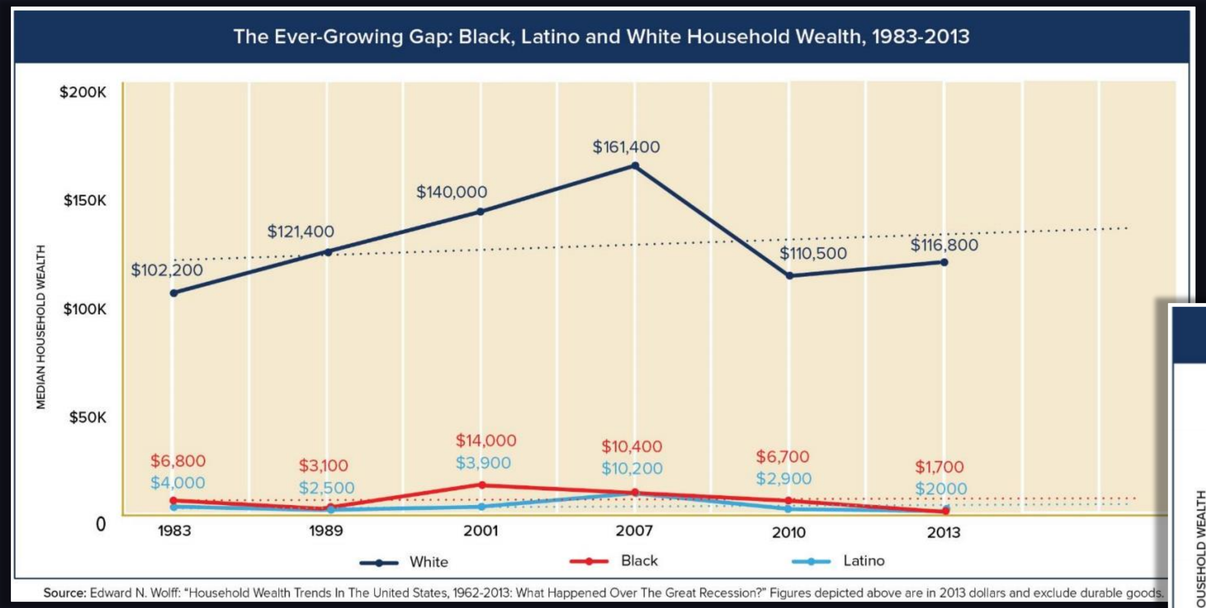
Wealth Growth

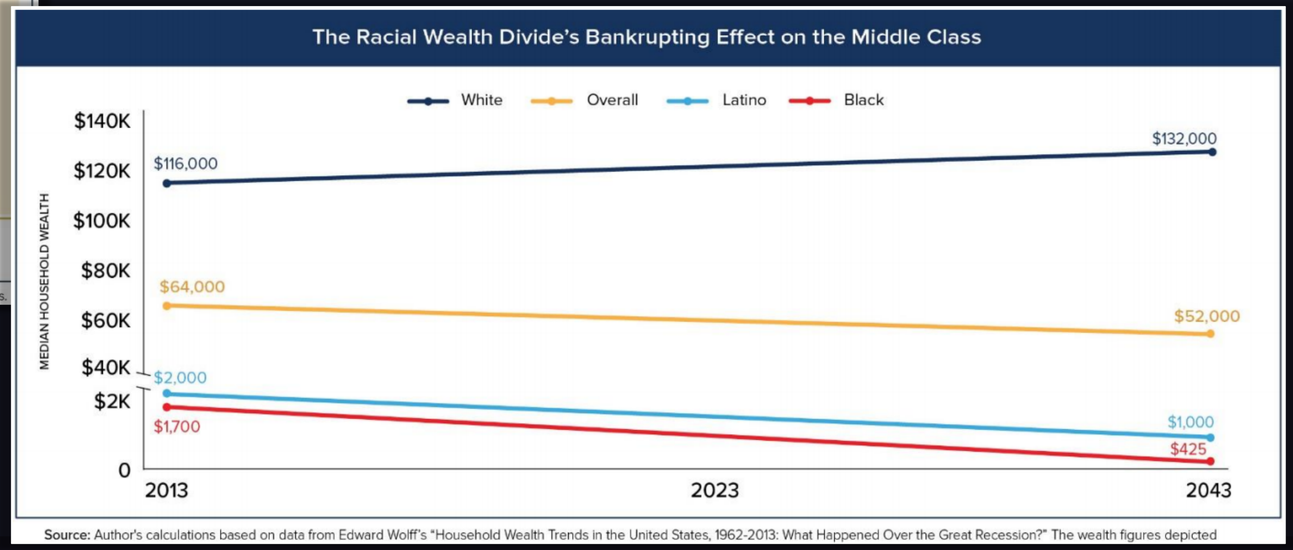
We are being outpaced in growth of income and wealth by emerging immigrant groups.

Black Tax

Financial Support for loved ones, and having to stand up taller than your non-Black peers.

“Trends at the median suggest Black Household Wealth will hit zero by 2053”





“ Black Women Are Hit the Hardest in Income Inequality ”

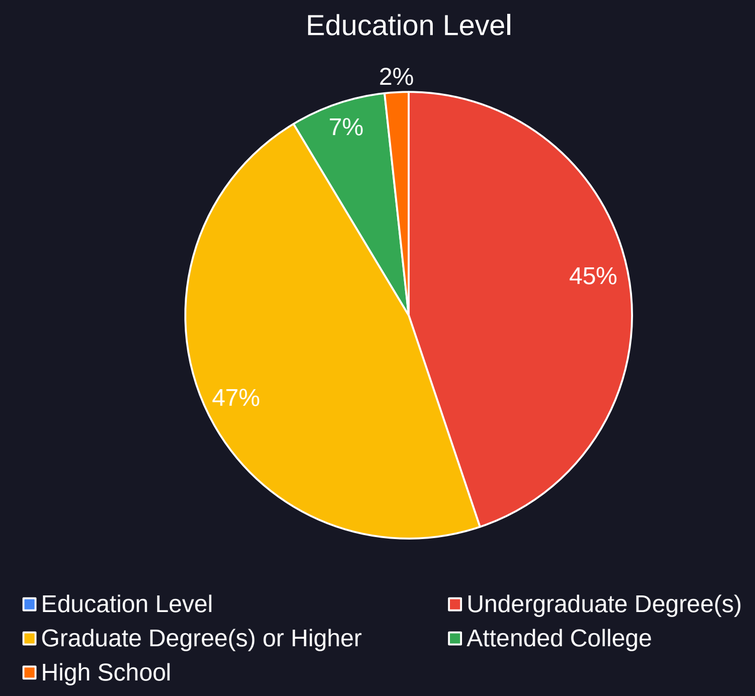
2018 EQUALITY INDEX OF BLACK AMERICA	SOURCE	YEAR	BLACK	WHITE	INDEX	DIFF. (’18–’17)
MEDIAN INCOME (0.25)						
Median Household Income (Real), Dollars	ACS	2016	38,555	63,155	61%	1.5
Median Male Earnings, Dollars	ACS	2016	39,431	56,386	70%	0.6
Median Female Earnings, Dollars	ACS	2016	35,382	43,346	82%	-0.3
POVERTY (0.15)						
Population Living Below Poverty Line, %	ACS	2016	23.9	10	42%	0.9
HOUSING & WEALTH (0.34)						
Home Ownership Rate, %	Census	2016	41.6	71.9	58%	-1.0
Mortgage Application Denial Rate (Total), %	HDMA	2016	26.5	9.2	35%	-0.8
Mortgage Application Denial Rate (Male), %	HDMA	2016	23.9	10.6	44%	0.1
Mortgage Application Denial Rate (Female), %	HDMA	2016	28.2	10.7	38%	-0.8
Mortgage Application Denial Rate (Joint), %	HDMA	2016	26.2	7.6	29%	-1.4

SIDEBAR

BYP Financial Survey

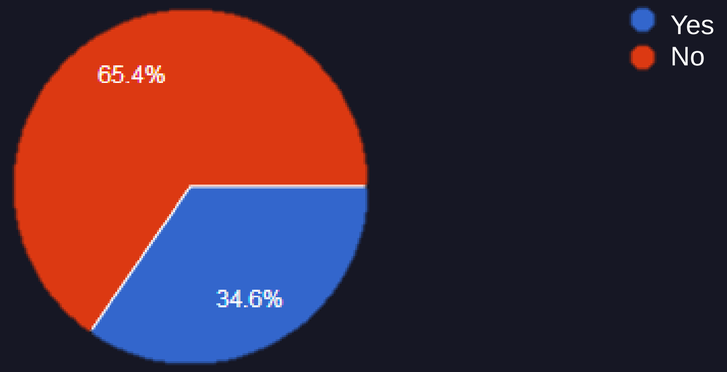
We asked you to tell us about your financial position so we can share the aggregated results with everyone.

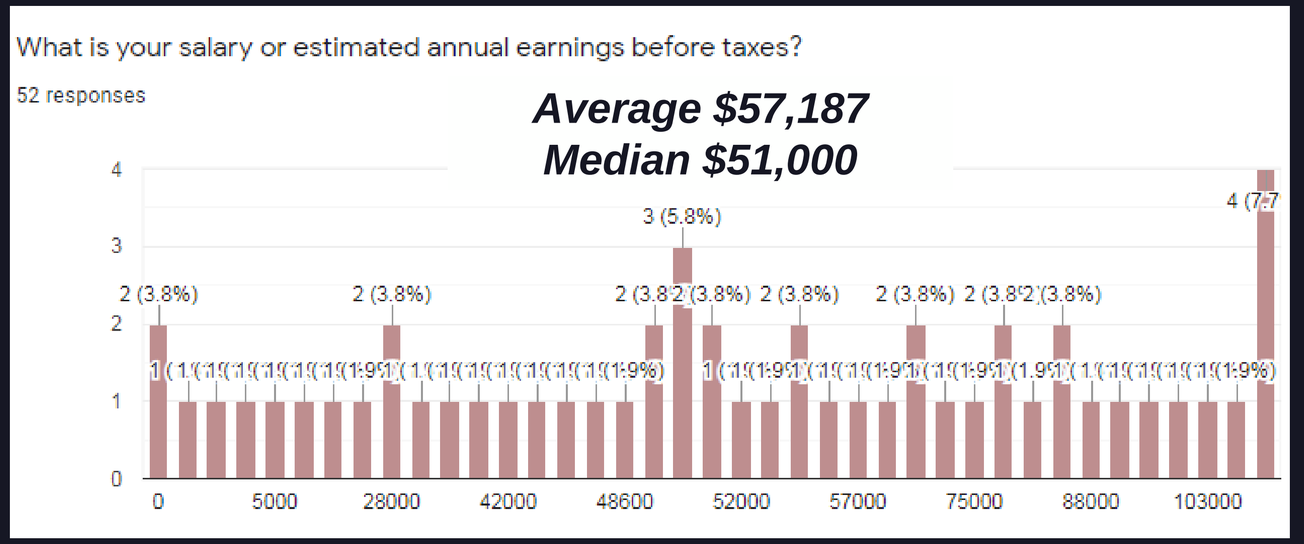
Average and Median Respondent Age is 31 years old
Many respondents reported they are 27 years old

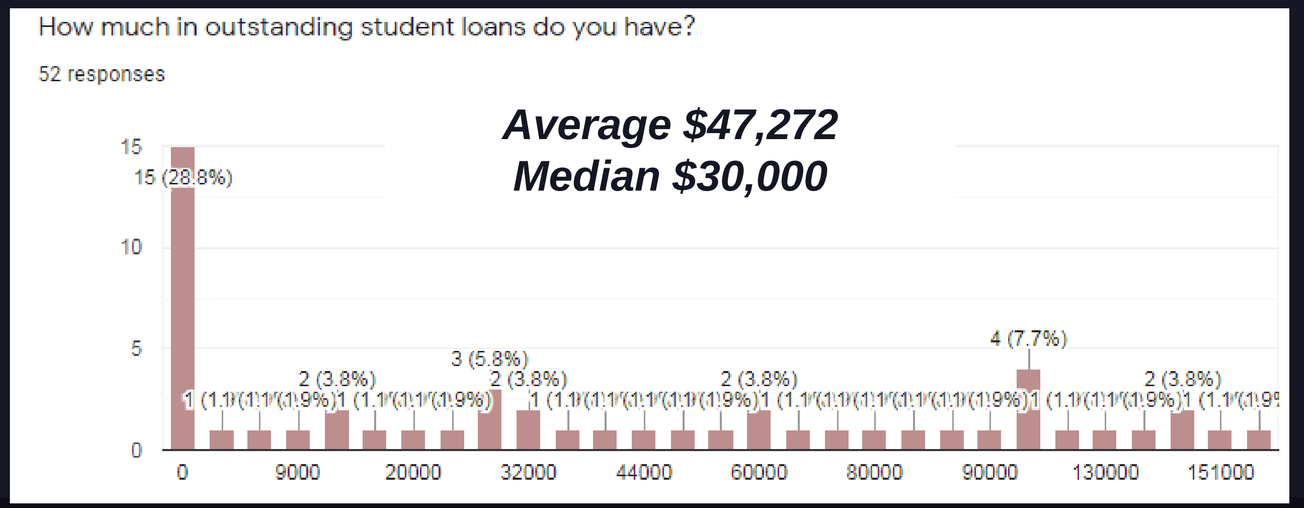


BYP Financial Survey

Do you own a home?

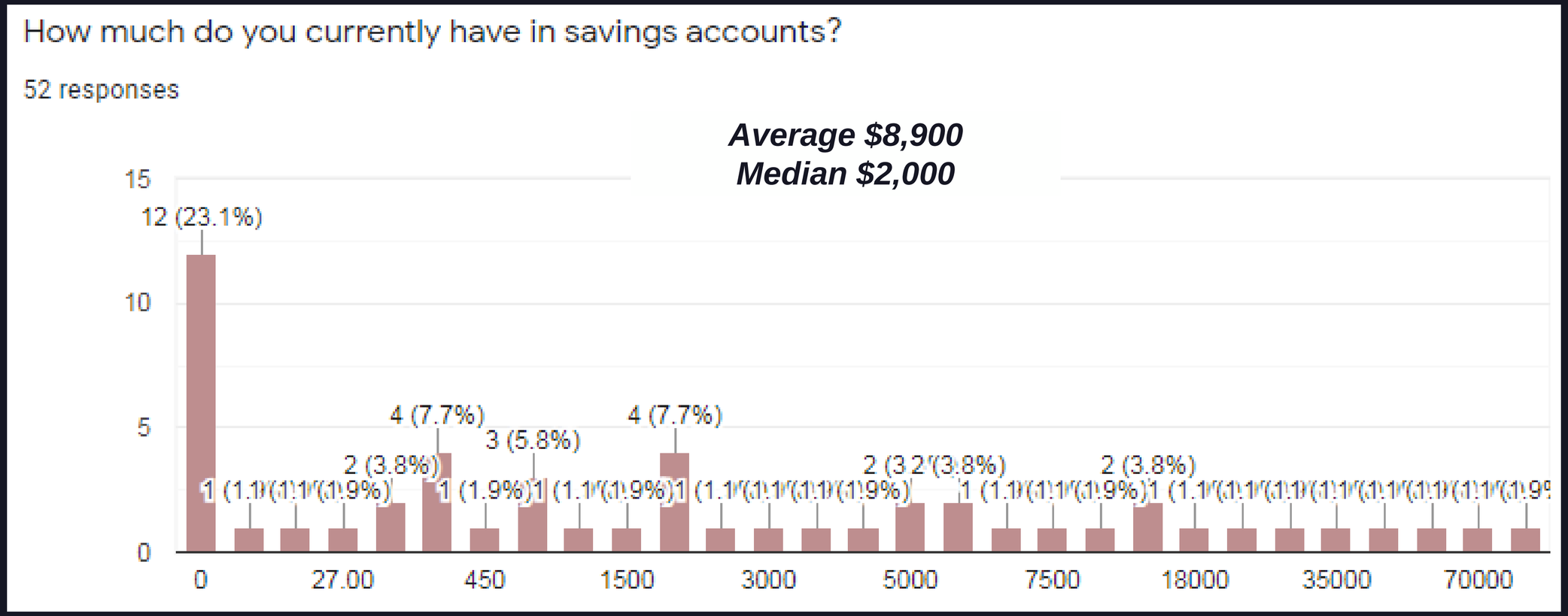






Follow The Money
Young Professional Financial Optimization

BYP Financial Survey



What can we do for ourselves now?

Potential Wealth

Preserve potential wealth transfers from family.

Maximize Building

Maximize your own wealth building.

Professional Compensation

Stay abreast and vigilant of your professional compensation.

Precision Handling

Be precise about how you handle your money.

Economic Awareness

Stay informed and be active in regards to political developments which could economically impact you.

FINANCIAL OPTIMIZATION

MONEY STARTS In Your Mind and At WORK

1 Taxes: Can’t Change Em’

Federal and State Allowances:

Typically only 1; No longer used for 2020 and beyond.

2 Health Care Coverage

Simple: Have it. Pick the best plan for your health conditions and financial preferences.

ProTip: HSA accounts rollover year-after-year, FSA accounts don’t. You can only get HSA if you have a HDHP.

3 Retirement Account

How much needs to be in it by retirement?

Should I have a work sponsored 401k or an IRA?

ProTip: *Wealth is usually in houses and retirement accounts. Not cash on the floor.*

4 Insurance

All I need is the life insurance plan they give me at work, right?

- Is it free?
- What Happens when I leave?
- How much life insurance do I need?
- What type should I own?

Made it Home with Money Still In My Pocket !

Static Budget

It’s always good to have a basic excel file you update each year you get a change in pay or major budgetary accomplishment.

Emergency Fund

Best practice is to set aside 3-6 month’s worth of pay in a savings account and leave it alone. Walk away. It will take 3 months to find a job should you be fired tomorrow.

Loans, Room, & Board

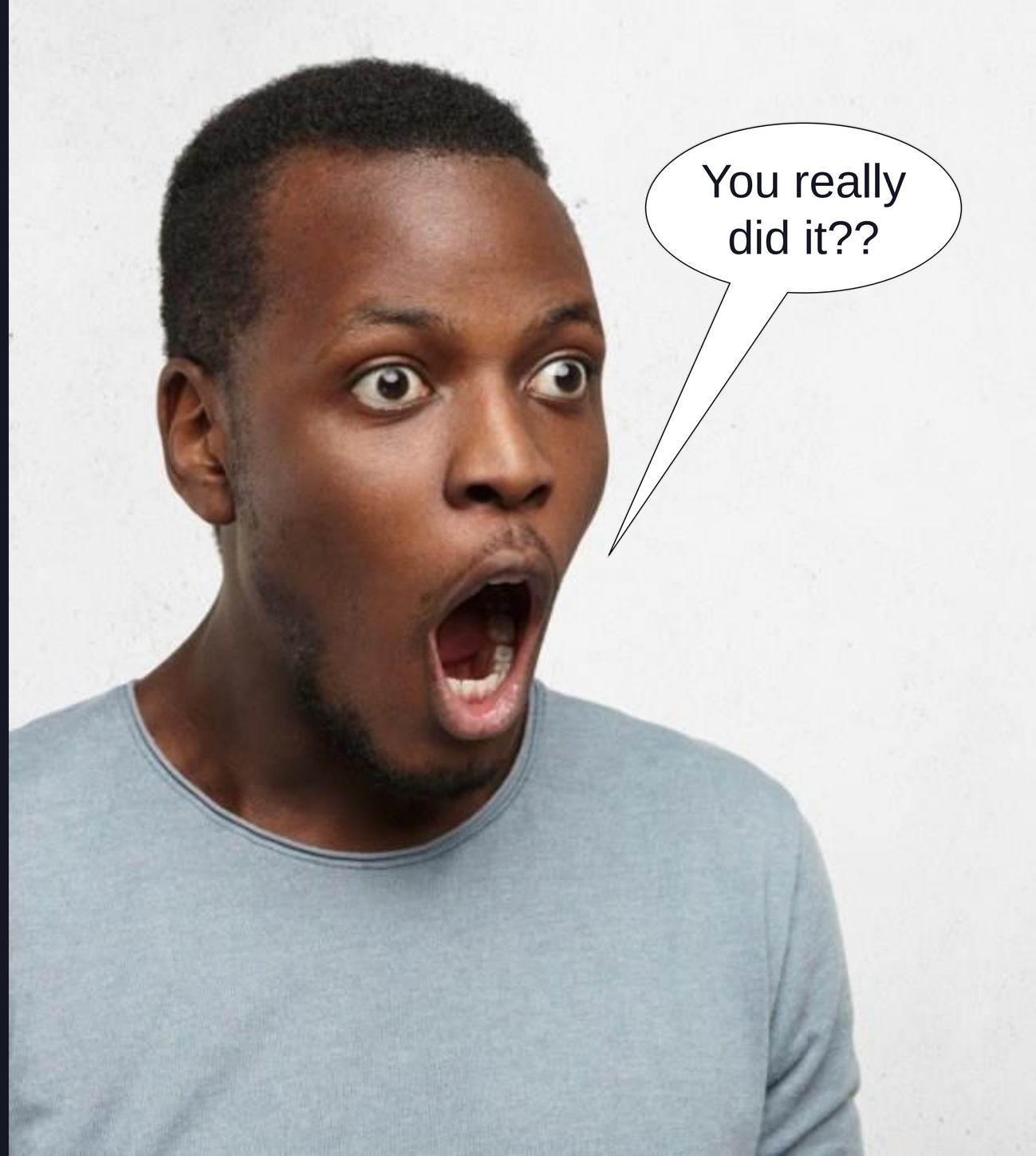
In the grand scheme after you’ve paid yourself (emergency fund), you pay yourself again by paying off loans, then rent/mortgage, and basic necessities

Question:

“ **What should I do after I fill-up my 3-month Emergency Fund?**

Should I redirect my savings?

Asking for a friend. Thnx. ”



Top 3 Common “Investment” Vehicles

0.7% APR

Savings Account

Yes, but no.

10% APR

Stock Market

Put it on auto pilot but watch the news everyday because you might need to act fast one day.

33% PER

Flipping or Renting Houses

This can be lucrative but requires funding, knowledge, and time.
Do your research.

SIDEBAR

$1,000 Detroit Properties For Sale.

Looks like a great way to invest, right?

DIFFICULTY:

Step 1 – Buy It 11%

Step 2 – Fix It 98%

Step 3 – Sell It 25%

Question:

“What if my partner has no retirement? ”

Easy Hacks

.01

Re-negotiate phone/cable/internet annually

You always get the freshest deals. Otherwise they'll fleece your pockets until you call again. When you call just ask for the "retention" department and get straight to the point.

.02

Pretend you didn't get a raise

You got a bump in pay? Cool.
Redirect the new additional money into savings or towards your highest interest loan, and keep living as modestly as before.

.03

Like to travel? Get a great credit card

Get a card that can accumulate points or miles you can use.
But pay it off in full every month. Every month in full.
If you run all of your expenses through the card, be sure you don't spend your cash, because you'll need it for your credit card bill.

.04

Look for deals through work

Many large corporations have resources for discounted products and services. Marketplaces through the company portal for Microsoft software, gift cards, etc. Also your health insurance company may have a market place for savings on health related items (vitamins, exercise equipment, gym memberships, etc.)

Housing

Renting / Leasing

Worry free living with only annual instability.

- Sometimes in the Detroit market you need a real estate agent to get the most in-demand properties. They move fast during peak seasons.
- Understand your lease agreement inside/out. Take 30 minutes to read it.
- Document the condition before move-in with pictures and video. Not just a check list.
- Try to leave it as you found it, minus reasonable wear and tear.
- Document every issue and communicate it via Email even if you text your property manager regularly.

Buying / Owning

Ownership that can grown in value.

- Choose to buy if you'll be around for a while (3 years or more) and can afford a down payment. If you must do a smaller down payment, calculate how much your PMI will be and know your timeline for getting out of PMI.
- There are rent –vs – buy calculators online. Try those out if you're unsure. The additional comparison data can help with decision making.
- Beware of HOA governed areas, the fees can fluctuate and balloon payment can come up suddenly if the HOA finances are low.
- Upkeep / Repairs can be sudden and expensive.

Home Buying

Additional Reading

What to Keep in Mind When Buying

- Research the market and neighborhoods you're interested in. You can do that well before you're ready to buy (months or years) just to get a taste for home prices and home value trends.
- First-time homebuyers, as a whole, rarely put down 10 percent or more on their first homes. In fact, the median down payment amount for first-home buyers is 7 percent, according to the National Association of Realtors' 2018 Profile of Home Buyers and Sellers. Mainly due to the accessibility of low-down payment loan programs. But the recommendation is 20%.
    - That means you could do a down payment of:
    - $7,000 on a $70,000 house in Detroit
    - $14,000 on a $140,000 house in Warren
    - $18,000 on a $180,000 house in Southfield
- **Should I pull money out of my 401k for a down payment?**
- **Is Private Mortgage Insurance (PMI) a bad thing to need? Should I be ashamed?**

Home Renting

Additional Reading

What to Keep in Mind When Renting

- Metro Detroit rental markets can be very competitive. **Using a real estate agent can give you an advantage as they can keep you plugged directly into the MLS and can setup showings very quickly.**
  - Sites like Trulia, Zillow, and Hotpads can be delayed in showing available properties from the MLS so much that it's taken by a person with a quick agent faster than Zillow can send you an email. Seriously.

- **Market variety is infinite, and so is quality.** You will see immaculate and also sketchy. Most places you're not responsible for any maintenance. But it's not uncommon when renting condos from private owners to be responsible for any repairs under $100.

- Lease requirements typically check that your gross monthly pay is 3x the amount of the monthly rent.
  - **Key Note:** this is GROSS, before taxes… which means it could still be more than 33% of your net take-home pay. So you must check your budget before you start shopping. They will let you sign a lease for a place you technically cannot afford.

- Right of first refusal maybe an unexpected option. You could buy the house you've been renting and get a sweet deal. Turning into a owner without moving? Maybe a win for you. Ask about it.

Open Q&A

- **Retirement + Wealth Management**
- **Healthcare**
- **Taxes**
- **Home and Car Buying**

END