**Financial Planning Information:**

For those of you who don’t know too much about financial planning, retirement accounts, savings, etc. here is some information to improve your financial literacy! Please note that these are just the basics, financial planning is incredibly complex, and it would be incredibly beneficial to investigate these things in more detail.

**Cost of Living:**  
According to the U.S. Census Bureau, this is how income levels are classified

| **Household Income Range** | **Millions of Households** | **% of Total** | **Comments** |
| --- | --- | --- | --- |
| **Less than $20,000** | 19.7 | 15% | Below or near poverty level |
| **$20,000 - $44,999** | 28.7 | 23% | Low income |
| **$45,000 - $139,999** | 57.7 | 45% | Middle class |
| **$140,000 - $149,999** | 2.6 | 2% | Upper middle class |
| **$150,000 - $199,999** | 9.0 | 7% | High income |
| **$200,000+** | 9.9 | 8% | Highest tax brackets |
| **TOTAL** | 127.5 | 100% |  |

The average rent for a 1-bedroom apartment (as of 2018) in the United States is $1025.

The states with the highest average rent are on the coasts (or in the Pacific) with the highest rents being in Washington, D.C. with an average rent of $2,358, Massachusetts at $2,139, Rhode Island at $1,732, Hawaii at $1,676, and New York at $1,633.

The states with the lowest average rent are in the Plains or Southwest with the lowest rents being in South Dakota with an average rent of $525, New Mexico at $576, Arkansas at $582, and Oklahoma at $613.

**Retirement Accounts:**  
**Traditional vs. Roth:** You may often see these prefixes before the type of a retirement account. The key difference is that with a traditional account, you are taxed when you take the money out of the account and with a Roth account, you are taxed when you put the money in the account.

**401(k):** This type of retirement account is often offered by employers (mostly because they get tax benefits because of it). Most employers (at a minimum) match the contributions that you make to this account up to 3% of your salary (i.e. if you contribute 3% of your salary, your employer would add 3% from their end for a total savings of 6% of your salary). As of 2020, the maximum employee contribution per year is $19,500 or, if you are age 50 or older, $25,000.

**Traditional IRA:** A traditional individual retirement account is a type of retirement account that an individual owns. Anyone earning income under the age of 70 ½ can contribute to it.

**Roth IRA:** A Roth individual retirement account is another type of retirement account that an individual owns. Currently, there are no age restrictions for when you can contribute.

The maximum amount you can contribute per year to your Roth and traditional IRA is $6,000 or, if you are age 50 or older, $7,000. This money grows tax-free within the account.

If you withdraw money from an IRA before age 59½, you are usually subject to an early-withdrawal penalty of 10%. For a traditional IRA, you can take start making withdrawals at age 59 ½ and are required to start making withdrawals at age 72 at the latest. You can withdraw contributions from a Roth IRA at any point, but earnings are more complicated.

**NOTE:** Rules regarding maximum contributions and income limits for IRAs change each year, so definitely check before you contribute!

**Life Insurance:**  
**Term Life:** This type of life insurance is primarily used if you only want to be covered for a certain amount of time (ex. 10 years, 20 years, etc.) and for specific financial concerns, like mortgages. These policies usually have the cheapest premiums, but once the policy expires you lose any potential payout. The only value they provide is a death benefit.

**Whole Life:** This is a type of permanent life insurance that can serve multiple purposes such as being used as a death benefit, a basis for estate planning, and a retirement fund. Besides providing money when you pass away, this type of life insurance also builds cash value which is invested and grows tax-free that you can use while you are alive. The premiums you pay are typically much higher than term life since it offers coverage for an undetermined amount of time and has multiple uses.

**Disability Insurance:**

**Short Term Disability Insurance:** This type of insurance pays a portion of your salary for short periods of time such as for 3 months, 6 months, or 1 year. It comes into effect if you have a disability that will last a short period of time such as sickness or a broken bone.

**Long-Term Disability Insurance:** This type of insurance pays a portion of your salary for long periods of time such as two years, five years, 10 years, to age 65, or for life, depending on the policy. They typically come into effect because of a major illness or accident such as cancer or losing a limb.

**Fun Facts and Additional Information:**  
The average starting salary of a college graduate is $50,944 according to the NACE.

The average student loan debt (as of 2017) is $37,172.

You can start receiving Social Security benefits as early as age 62. The amount you receive increases for each year you postpone receiving benefits up until full retirement age. You must work at least 10 years to receive social security benefits in retirement.

You are eligible for Medicare (a federal health insurance program) once you reach age 65.