

Gen Z's Guide to
Personal Finance:

Create Confidence in Your Financial Future



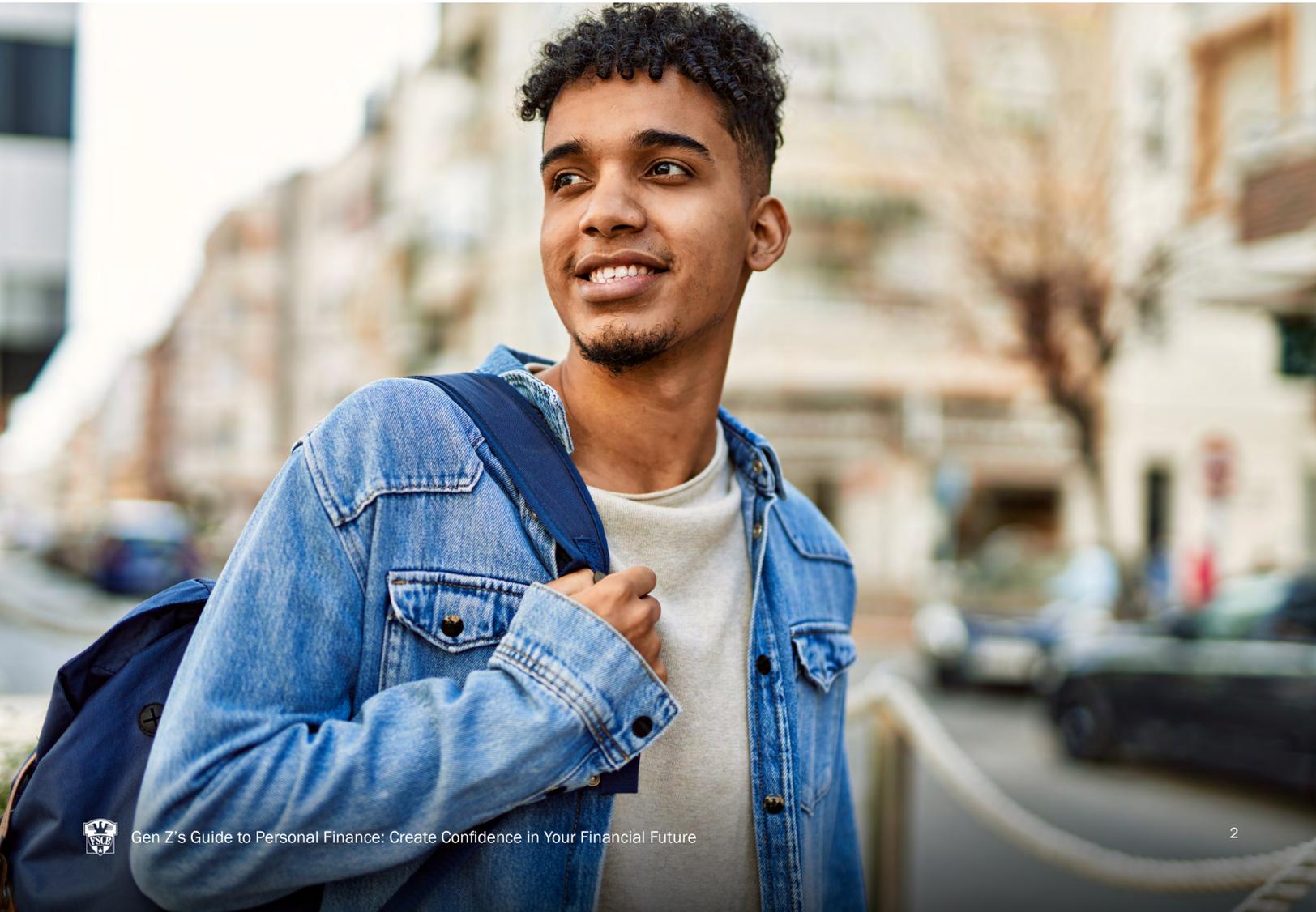
Success Starts Here.



First State
Community Bank

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Introduction

No one really likes tests in school, but don't you wish some aspects of life were more like a math quiz? You use the study guide, familiarize yourself with the material, maybe create some flash cards, and you're prepared. The next day, you take the test, and 45 minutes later, you're done. Whether you passed or failed, you never have to think about the Pythagorean theorem again (probably).

It may seem unfortunate at first, but most of the important stuff in life takes consistent, committed work. As we know, big accomplishments require an active commitment. You can fail one math test because you weren't prepared, but if you aren't adequately prepared when you want to, say, go to college or buy a house, you're setting yourself up for disappointment.

Unlike algebra, there's no sole formula for figuring out your finances. Personal finance is complicated because life is complicated, but there are ways to make money management much less daunting and a little easier to digest.

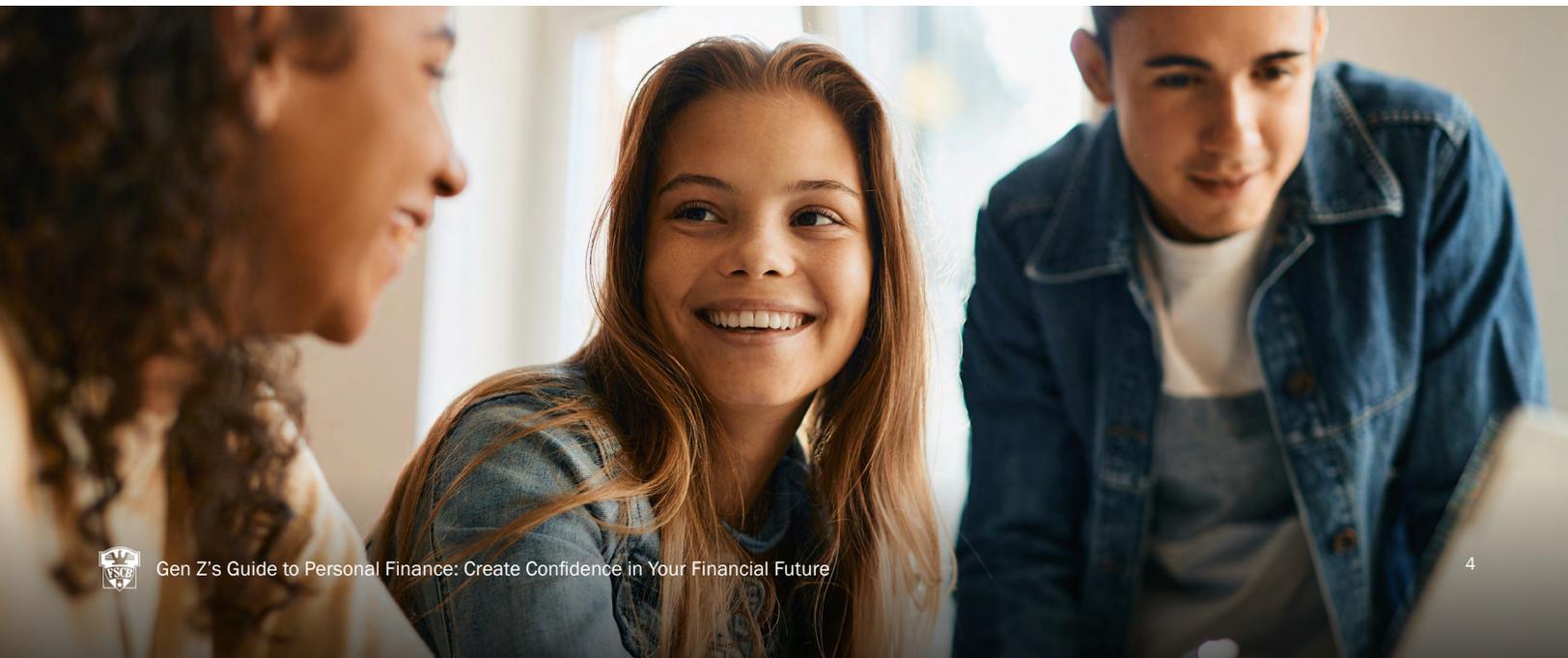
With the right resources and a supportive team on your side, taking care of your personal finances doesn't have to be unbearable. By equipping yourself with the proper tools and knowledge, you can make smart, proactive choices that support your short- and long-term financial goals.



What to Expect from This Guide

Perhaps a lot of changes are occurring for you right now all at once, so it's difficult to know where to start when it comes to managing your own money. In this guide, we kick off with a few pieces of advice and what you need to know when you want to take control of your finances. Then, we break the financial planning process down into four essential steps: budgeting, saving, managing debt, and building wealth. At the very end, you can find some additional resources for navigating your finances, including a comprehensive glossary of financial terms to know.

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Where to Start with Financial Planning

If your head is already spinning, that's OK. As we mentioned, there's not necessarily one right way to go about making your financial plans. However, you can head in the right direction by starting with a basic framework for money management. Try taking the following seven tips into account before you dive headfirst into your personal accounting:



Tip 1: Know the basics.

Unfortunately, most school curriculums don't incorporate much in terms of financial education and literacy. As a result, you have an endless sea of resources to sift through as you look for an approach to financial planning that fits your needs. With so much information out there, it's difficult to know what applies to you and what doesn't. Put simply, you don't know what you don't know!

Taking control of your own finances is important, but sometimes, it's a little overwhelming. However, if you establish a foundation of practical skills and best practices, managing your money becomes easier as you get further along in life. Education is power, and you've already taken the first step toward financial empowerment by choosing to take control.



Tip 2: Establish your financial and life goals.

Financial independence means having clear, attainable financial goals and the means and resources to achieve those goals. Start with considering what your financial obligations are in life, from planning for college tuition to saving up for a European backpacking trip. What aspirations do you have that come with a significant expense? Think about the short- and long-term goals you want to pursue, and add them into your budget. Once you decide on what to aim for, you can begin exploring options and composing a strategy for saving up, financing, or taking out a loan.



Tip 3: Develop your budgeting checklist.

What types of spending should you include in your budget? Which types of debt do you want to pay off first? Make a list of everything that you need to account for in your monthly spending. Include both necessities and any expenses for “wants” or extras.



Tip 4: Make use of your savings account.

Some savings accounts offer interest rates that will generate extra income over time. If you already have a savings account, start making regular deposits to build up an emergency fund and to save toward your other financial goals.



Tip 5: Try out different savings strategies.

Automation is your friend. Making automatic deposits into retirement accounts and automatic transfers into savings can help you meet your savings goals on a predictable, set schedule. Consider enrolling in savings programs such as [Pocket Change](#), which makes small deposits into a savings account based on your account spending.

Since everyone's lifestyle varies, the right savings strategies will [vary from person to person](#). While some Gen Zers prefer more conventional ways to save (e.g., a certificate of deposit or individual retirement account), many others are choosing to explore more progressive options (e.g., soft saving¹ or investing in stocks²). An experienced financial advisor can help you narrow down a few savings strategies that work for your lifestyle.



Tip 6: Leverage e-banking and mobile apps.

We mentioned above that automation is your friend, but it's just one aspect of e-banking that makes this feature so convenient. Mobile banking and apps make it easier than ever to keep an eye on your account activity and move money around.

From real-time SMS updates to instant fraud or low balance alerts, most banks offer a hefty list of in-app capabilities to make managing your money easier. Automate savings and bill pay for reliability and peace of mind—no need to stress about missing payments or falling behind on your savings plan.



Tip 7: Revisit your finances periodically.

Expenses and income will change over time, and so will your financial aspirations. You might anticipate some of these changes, but many will occur unexpectedly. Revisiting your personal finance plan on a regular basis will help you stay on top of your spending and continue to push toward your financial goals.

Sources

1. <https://www.cnn.com/2023/10/23/soft-saving-trends-reshape-gen-z-millennials-personal-finance-goals.html>

2. <https://www.bankrate.com/banking/savings/gen-z-money-mindset/#comparing-gen-z-s-money-mindset-to-previous-generations>



4 Steps for Proper Financial Planning

Are you ready to start cultivating your financial well-being, both now and in the future? To help you build a foundation of financial literacy, we outline the four key components of a complete financial plan and what they involve:

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Step 1: Create a budget.

Before you can think about saving and paying off debt, you need to figure out how much you're spending every month. A budget is a plan for all of the spending you do in a month. It includes necessary costs, such as rent, utilities, car insurance, and groceries, and more flexible spending on things such as festival tickets, a fancy espresso machine, or DoorDash orders.

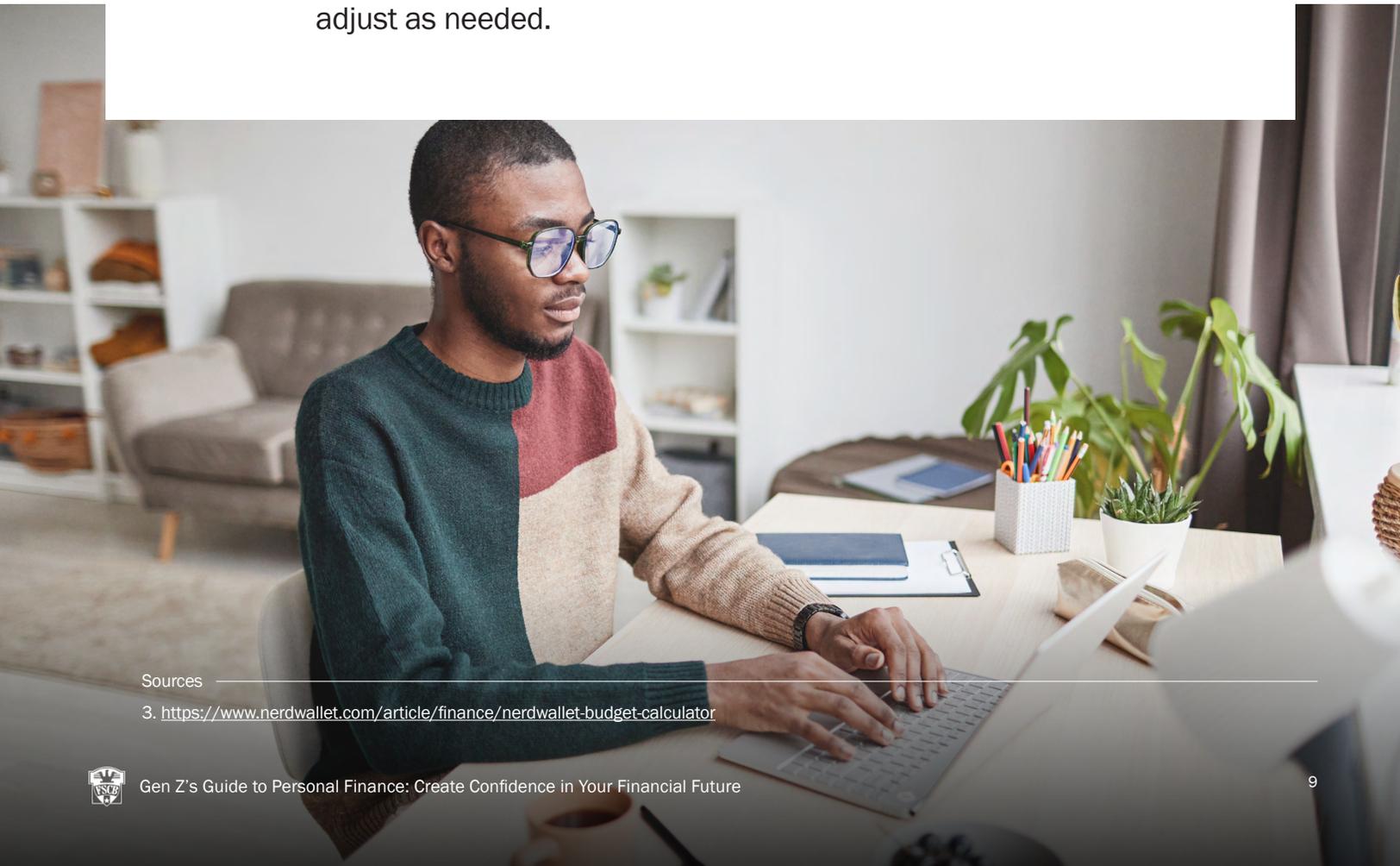
Your budget should also have enough room to pull savings from every paycheck. And, of course, this budget can't exceed your monthly income; otherwise, you'll be racking up credit card debt that could haunt you for months (or years) to come.

Track expenses so you can see where you're spending money and whether or not you're staying within the budget you set.



If you want a little guidance on how to create a budget, here's some practical advice:

- **Track your income:** If you earn a salary, you can count on a fixed amount of money every month. If you're paid hourly, work multiple jobs, or work as a freelancer, your [income](#) probably fluctuates, and you'll need to factor that fluctuation into your budget.
- **Follow a budgeting rule:** Financial experts recommend following what's known as the 50/30/20 rule,³ which divides your budget into three key categories: 50 percent for necessities, 30 percent for "wants," and 20 percent for saving and tending to debts.
- **Keep a close eye on your spending habits:** Track expenses so you can see where you're spending money and whether or not you're staying within the budget you set. At the end of every month, reconcile this spending with your budget to find out where you stayed under budget and where you overshot your spending limits. There are numerous expense tracking tools available to help you adjust as needed.



Sources

3. <https://www.nerdwallet.com/article/finance/nerdwallet-budget-calculator>





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Step 2: Save for the future.

Naturally, budgeting and saving efforts go hand in hand. Once you've created a budget that covers your living expenses and allows you to save, you can focus on putting those savings toward short- and long-term financial goals.

The ability to save is essential to creating long-term wealth (more on that to come), and those savings don't have to come in huge amounts. Even modest savings add up over time. For example, if you're able to invest \$100 per month over a 30-year period, with an average annual return of 8 percent, that small contribution could be worth \$186,000 or more by the time you retire.⁴

When you're trying to figure out how much to save, consider these two essential elements:

- **Short-term savings goals:** These objectives include an [emergency fund](#) to cover unexpected costs and anything you know you'll have to pay for in the near future, such as a vacation, new car, or [wedding](#).
- **Long-term savings goals:** Looking further into the future, these objectives can include saving money for a [down payment](#) on a house or making investments into retirement funds. You can make retirement investments through various channels, including a 401(k), an individual retirement account, a certificate of deposit with a bank, or investments into stocks, commodities, mutual funds, and other financial products. [Check with your employer](#) to see if your company matches contributions when placing money in a 401(k).

Sources

4. <https://www.investopedia.com/articles/investing/100615/investing-100-month-stocks-30-years.asp>



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Step 3: Manage debts.

If you're trying to budget and save while also struggling to pay down debt, you're not alone. Gen Zers in the United States carry an average of around \$10,000 in debt,⁵ and when you're just starting to manage your own finances, any amount can be overwhelming.

But carrying debt or [taking out loans](#) isn't necessarily a bad thing. The key is managing this debt and understanding how it affects your personal finances. Make the following considerations when prioritizing paying down debts:

- **Credit score:** If you have a lot of debt, it could affect your [credit score](#). High balances on credit cards can raise your credit utilization and lower your credit score, making it hard to qualify for loans and other types of credit.
- **Highest interest:** As you start to save money and apply it to paying your debts, always pay off the loans with the highest interest rates first. This will reduce the overall amount of interest you pay over time.
- **Consolidation:** Some lenders offer lower rates on [student loans](#) in exchange for consolidating many different loans into a single account. This can also make it easier to manage payments, resulting in fewer late fees.
- **Credit card rewards:** Leverage credit cards with rewards and cash-back offers to generate added income from your spending. These rewards-based credit cards can offer returns ranging from 1-3 percent and sometimes more in certain categories.
- **Home ownership:** Do your homework when [buying a home](#). A house is one of the biggest purchases you'll ever make, and mortgages are complex financial products with a lot of variables to consider.

Sources

5. <https://cnbc.com/select/average-american-debt-by-age/>



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Step 4: Build wealth.

Building wealth in your 20s might seem impossible, and for many, saving up enough for luxuries or investments can be incredibly challenging. Most importantly, your ability to build wealth is heavily reliant on the first step we outlined above. Budgeting is your most vital foundational skill for [successfully building wealth](#) over time.

It's worth stating again: Take advantage of automation, online banking, and mobile apps to monitor your budget. Once you've nailed down your budget and have a good understanding of your spending and saving habits, speak with a professional financial advisor or lender who can help you visualize the progress you're making (and can make) over time. This measure is especially motivating for collecting savings because you'll clearly see how much return you're earning and how it directly contributes to your goals.

Budgeting is your most vital foundational skill for successfully building wealth over time.



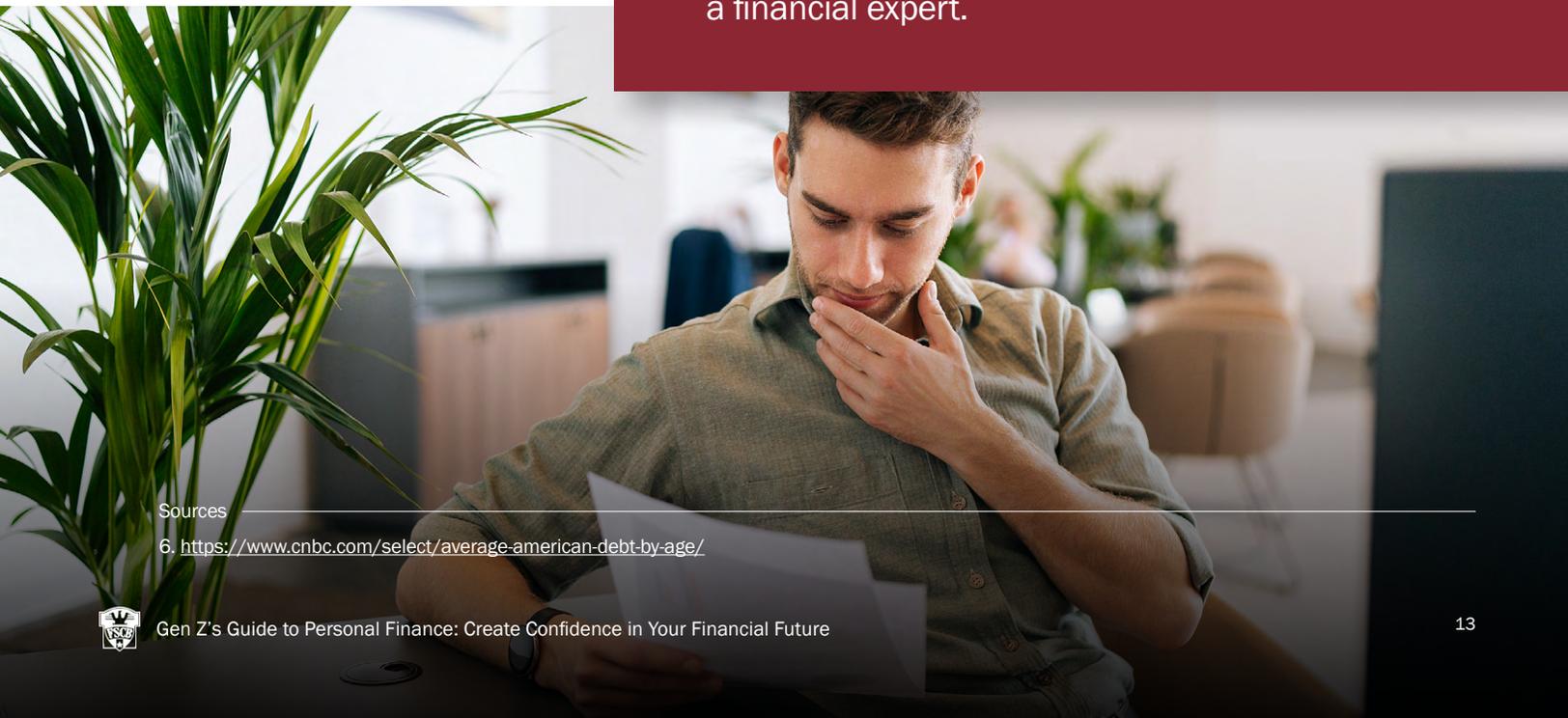
Do Your Financial Goals and Aspirations Include Living Independently?

We understand if you're stressed about money. In fact, a recent wellness survey by Bankrate⁶ reported that more than half of Gen Z participants had concerns about finances that negatively impact their mental health.

But we want to show you that managing your finances doesn't have to be a headache. By creating a strong money management plan and a proper budget, you can set yourself up for financial success both now and in the future. The earlier you start, the better, so you're already on your way to financial empowerment.

Fortunately, help is always available if you need it. Numerous resources exist to guide you through the financial planning process, including specialized advisors at your high school, community college, university, or other institution.

For essential information and professional guidance, you can always visit your local First State Community Bank (FSCB) branch in person or online to talk with a financial expert.



Sources

6. <https://www.cnn.com/select/average-american-debt-by-age/>



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About First State Community Bank

Since 1954, FSCB has been a leading financial resource for residents and businesses across Missouri. We built our reputation on an unyielding commitment to delivering the best possible service to every customer and partner. Our mission is to help our customers achieve financial success on their terms, whether that means buying a new home, starting a business, or planning for retirement. Our team is here to help you reach your financial goals today and follow through on your plans for the future.

**Learn more by connecting with the FSCB team
to see how you can get started today.**

[Get in Touch at FSCB.com](https://www.fscb.com)

Glossary of Financial Terms

401(k) plan

An employer-sponsored retirement plan that allows employees to make pretax contributions from their paycheck into a retirement fund

529 plan

A tax-advantaged savings plan that allows you to save for college or other forms of education; in Missouri, education saving plans have additional tax advantages thanks to Missouri MOST, which waives state taxes on educational savings and offers other advantages

Adjustable rate mortgage (ARM)

A mortgage with an interest rate that can fluctuate over time; many ARM loans offer a fixed rate for a set number of years, followed by a variable rate based on the prime rate

Amortization

The distribution of an intangible asset's cost over time; financial institutions use amortization schedules to develop a loan repayment plan based on a predetermined maturity date

Annual percentage rate (APR)

The rate credit cards and loans charge for borrowed money

Annual percentage yield (APY)

The percentage of interest paid to savings products, including savings accounts and certificates of deposit

Beneficiary

The person or party that's legally appointed to receive benefits or payouts from a policy, likely a life insurance policy or will and testament



Balance sheet

A statement that displays an account's assets and liabilities and the net balance between income and expenses

Balance transfer

This service allows consumers to transfer the balance owed on one credit card to another credit card that charges a lower interest rate; most balance transfers require a small fee

Bank Custodian

The party responsible for safeguarding certain types of assets; this person or institution has physical possession of financial instruments such as cash or stock certificates

Capital gains

The increase in value of an asset, such as real estate or an investment, above the original purchase price; capital gains are not realized until the asset is sold

Certificate of deposit (CD)

A type of savings account that pays a guaranteed interest rate on money deposited and held for a fixed period of time; CDs tend to pay higher returns than conventional savings, but they charge penalties for early withdrawal

Compound interest

Sometimes referred to as "interest on interest," compound interest is applied to the total amount of a deposit account or loan, including accrued interest; this is different from "simple interest," which is only charged based on the original principal amount still owed

Cosigner

A third party who agrees to be financially responsible for the repayment of a loan or debt; cosigners are often used when a loan or debt applicant lacks the financial means or creditworthiness to secure the financial agreement on their own

Credit limit

The maximum amount of credit a financial institution will offer through a single credit card, line of credit, or other loan product

Credit report

A breakdown of an individual's credit history prepared by a credit bureau or reporting agency to determine creditworthiness



Credit score

A statistical calculation to assess a person’s creditworthiness using multiple factors; credit applicants are ranked on a scale between 300-850 to assess financial trustworthiness

Debt-to-income ratio (DTI)

Measures the ratio of a person’s income that goes toward paying off debt. It’s used by lenders to determine an individual’s borrowing ability and/or risk.

Deferred payment

When the due date for a payment is delayed or paused; occurs during a deferment period

Dividends

The regular payout from the host company to a shareholder for holding stock

Equity

The sum of the value of available assets after subtracting liabilities; in the case of home ownership, equity is the amount of the assessed value of the home minus the outstanding mortgage and other liens against the home

Fiduciary

The role of someone who legally manages a person’s assets on their behalf for their benefit

FICO score

A credit score created by Fair Isaac Corporation to assess an individual’s creditworthiness

Finance charge

A fee charged for the use of credit, either paid as a flat fee or as a percentage of the amount being borrowed; in the case of credit cards, the finance charge is calculated against the initial amount borrowed plus any accumulated interest carried forward

Fixed rate

An interest rate that remains the same for the life of a loan or debt



Guarantor

The party responsible for paying a debt if the borrower defaults on their loan

Home loan

Also called a mortgage, a home loan is the amount of money loaned to an individual or family to purchase a home

Individual retirement account (IRA)

A savings account that allows individuals to deposit pretaxed dollars for retirement; taxes and capital gains on earnings are charged at the time of withdrawal; the amount you can deposit is a factor of your income; most IRAs have penalties for early withdrawal

Interest rate

The amount of money charged to a debt or paid to an interest-bearing account, expressed as a percentage of the principal

Investments

Assets or monies used to generate income or appreciate in value; investments are typically made in goods that are not consumed, such as stocks, bonds, or funds, in hopes that those goods will increase in value over time to be sold at a profit

Lien

An arrangement with a bank to establish the maximum amount a customer can borrow as revolving credit; the customer can access the funds at any time up to the credit limit then repay the amount over time, including paying interest

Money market account

Similar to a savings account, a money market account is an interest-bearing account with additional features, such as check-writing

Overdraft

Charging or withdrawing more from an account than the available balance

Personal loan

A loan made to an individual based on their credit score and ability to repay the debt

Principal

The initial loan amount or the sum of how much the borrower still owes



Revolving credit

A line of credit or credit card for which the customer commits to pay back the amount borrowed, plus interest; called revolving credit because the amount available or the balance fluctuates each month based on the amount of debt that was paid the previous month

Roth IRA

A form of individual retirement account in which money is taxed at the time of deposit so that same money is tax-free upon withdrawal

Subsidized loan

A type of student loan that doesn't accrue interest while the borrower is in school or during periods of deferment; interest begins to build on the loan after the student graduates or withdraws

Unsubsidized loan

A type of student loan that begins accruing interest immediately after it's disbursed, including while the borrower is enrolled

