

Establishing Independence

So, you want to spread your wings and fly. Believe me, that is one thing every parent wants for their children. However, there is one major hurdle to turn what you want – independence – into reality: Are you ready to be financially responsible and accountable for yourself? Independence only comes with financial responsibility. Someone has to carry the financial burden and to be out on your own, that person should be you.

Can you do it? Yes, with preparation and knowledge. Below are some simple tools to help you calculate what you need in terms of time and money. It's pretty simple. Go on and open the calculator app on your phone and let's get started!

First Things First: Let's Get Real about Your Living Expenses

This is pretty much a matter of filling in the blanks. It's important to fill in *all* the blanks. Even if someone else is paying the bills, you need to know and acknowledge what is being done for you to ready yourself to take over. If you know the monthly amount, multiply by 12 to get the yearly amount. If you know the yearly, divide by 12 to get the monthly.

Budget Item	Who Pays?	Monthly	Yearly
Roof over your head			
Food			
Utilities			
Internet/Cable			
Cell Phone			
Gas/Transportation			
Health Insurance			
Car Payment			
Car insurance			
Renters/Homeowners Insurance			
Clothes			
Household Care (cleaning supplies, detergent, etc.)			
Personal Care (toothpaste, shampoo, etc.)			
Gym membership			
Tuition			
Student Loan Payment			
Medical/Pharmacy			
Pets (Food, Medical, etc.)			
Other			
Other			
Total			

Two more budget items are critical to your financial picture, especially if you want to be truly independent.

- 1) **Discretionary spending.** This includes eating out, entertainment (movies, concerts, etc.), non-essential shopping (especially for clothes you can live without), travel, and bad habits.
- 2) **Saving.** There are four types of savings:
 - a. Emergency. This needs to be enough to cover your expenses for up to 6 months without work.
 - b. Short term. This is for things you want to buy or do, but don't have the cash.
 - c. Longer term. This is for big items, like a car or a big trip (maybe flying somewhere or taking a cruise).
 - d. Big dreams. Like buying a house, opening a restaurant, or travelling.

Now that you know what you need monthly, let's look at how your time translates into money.

Time is Money

To make intelligent decisions about how you spend your time, especially work time, you need to know what a job pays.

Here's a simple trick to figuring out how much a job pays a year or an hour.

To convert an hourly wage into an annual income, multiply it by 2 and add 3 zeroes.

A sign in the door says, "7.50/hr"	
Multiply times 2	$7.50 \times 2 = 15$
Add 3 zeroes	$15 \rightarrow 15,000$
There you go	$7.50/\text{hr} = 15,000 \text{ a year}$

To go in the other direction, take off the zeroes and divide by 2.

A job pays \$35,000 a year	
Take off the last 3 zeroes	$35,000 \rightarrow 35$
Divide by 2	$35 / 2 = 17.5$
There you go	$35,000/\text{year} = 17.5/\text{hr}$

So, if someone is making \$50,000 a year, that's about \$25 an hour.

Say you see a job posting or on a sign in a door that says, "Help wanted, \$9.50/hr." That's about \$19,000 a year.

Simple, no?

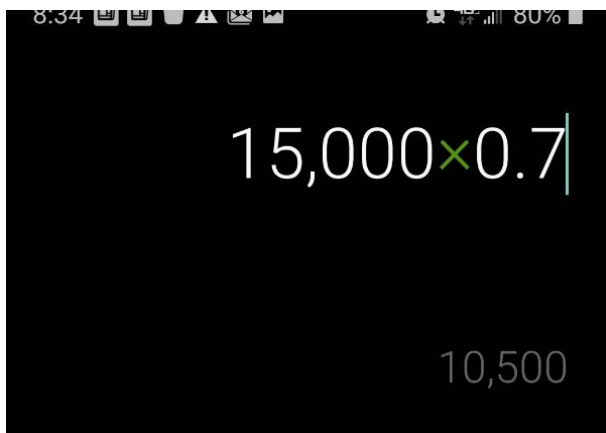
Ok, a little less simple...

The above assumes a typical U.S. work week: 40 hours a week for 50 weeks a year. However, most hourly jobs will only allow you to work a maximum of 28 hours a week so that the employer won't have to provide benefits (such as health insurance).

Let's go back to that first example, the job that pays \$7.50 an hour. We calculated that to pay \$15,000 a year – *based on working fulltime*. If you are lucky enough to get 28 hours a week, that is about a 30% reduction.

(NOTE: *It's important to use the yearly numbers for your budget to make sense.*)

Using your phone's calculator, tap in $15000 \times .7$

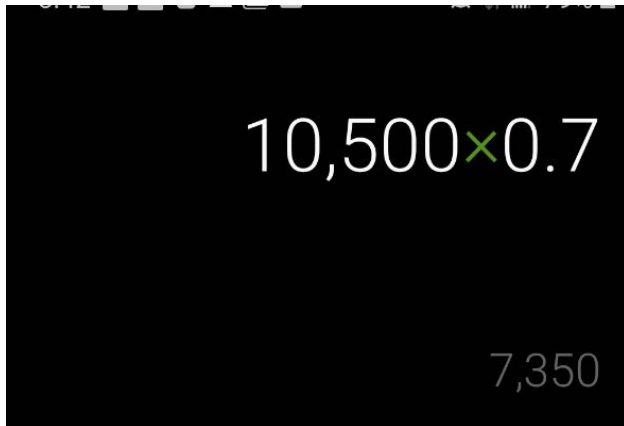


Tap the = and you get 10,500.

Oh, yeah, taxes...

Unless you are getting paid cash, taxes will be taken out of your pay. How much depends on a lot of factors. It is best to assume the worst: 30%. This means that you'll get to keep about 70 cents of every dollar you make.

Go back to your phone and tap in $10500 \times .7$



Tap the = and you get 7,350.

Let's go through this top to bottom.

A sign at the coffee shop says "help wanted: 7.50/hr"	
Multiply times 2	$7.50 \times 2 = 15$
Add 3 zeroes	$15 \rightarrow 15,000$
If you could work fulltime that would pay	\$15,000 a year
If you are only able to get 28 hours a week you only get 70 percent of what you get working fulltime	$15,000 \times .7 = 10,500$
You will pay taxes on what you make. Assume the worst.	
You only get to keep 70 cents of every dollar you earn	$10,500 \times .7 = 7,350$
Divide 7,350 by 50 work weeks a year	$7,350 \div 50 = 147$
There you go: The coffee shop pays less than \$150 a week	
How much is that a month? Divide 7,350 by 12 months a year	$7,350 \div 12 = 612.5$
There you go: The coffee shop pays a hair over \$600 a month	

Your 168

What is 168?

Most people don't know.

One hundred sixty-eight is the number of hours in a week. Every week. For everybody.

The question is, "How are *you* using *yours*?"

Some things are a given. You sleep, eat, go to school and/or work, get to/from work, run errands, and take care of yourself.

How much time do you spend a week doing these things?

Example 1

Activity	Hours a Day	Hours a Week
Sleep	8	56
Eat 3 meals a day	3	21
Work/School/Homework/Study 5 days a week	8	40
Commute 5 days a week	.5	2.5
Getting ready for the day	.5	3
Errands/Shopping		2
Socializing in person (not on a device)	1	7
Screen time (device and/or TV)	4	28
Physical activity 30 minutes 4x a week		2
Total hours used		161.5
Hours in a week		168
Left over hours (Subtract total used from 168)		6.5

With some changes, what could this look like?

Example 2

Activity	Hours a Day	Hours a Week
Sleep	8	56
Eat 3 meals a day	1	7
Work/School/Homework/Study 5 days a week	8	40
Commute 5 days a week	.5	2.5
Getting ready for the day	.25	1.5
Errands/Shopping		1.5
Socializing in person (not on a device)	.5	2.5
Screen time (device and/or TV)	.75	5.25
Self-improvement/Reading/Meditating	1	5
Physical activity 30 minutes 4x a week		2
Total hours used		123.25
Hours in a week		168
Left over hours (Subtract total used from 168)		44.75

Now, you try. Fill in the blanks and see how much time you have

Activity	Daily	Weekly
Sleep		
Eat 3 meals a day		
Work/School/Homework/Study 5 days a week		
Commute 5 days a week		
Getting ready for the day		
Errands/Shopping		
Socializing in person (not on a device)		
Screen time (device and/or TV)		
Self-improvement/Reading/Meditating		
Physical activity 30 minutes 4x a week		
Other		
Other		
Other		
Total hours used		
Hours in a week		168
Left over hours (Subtract total used from 168)		

With some slight tweaks to how you spend your time, you can wind up with an extra 30 or 40 hours per week!

You can find the time to pick up one or two additional part-time jobs.

What does this mean?

It means that you figure out how to make the best use of your time. Here are some ideas:

- Spend less time eating. Fix meals ahead of time.
- Spend less time eating socially.
- Spend less time getting ready to leave the house.
- Lay your clothes out the night before.
- Plan your shopping and errands ahead of time.
- Incorporate physical activity into your commute (walking or biking) to get your weekly activity.
- Set a timer to remind you when you've had enough screen time

By taking control of your time and using it productively, you can find a way to be independent and not be stuck living with your parents or under their control. Simply figure out how to best use *your* 168 hours and commit to it.

Are You Over or Under?

Let's go back to your budget. Now that you know what you need, you need to figure out how much work it will take.

This is a matter of using the simple math of how much you can make an hour combined with how many hours you can work. First, assume the worst-case scenario: You have to juggle two minimum wage jobs to get 40 hours a week and that's all you can do because you are already putting in 40 hours a week in school.

What does that look like? Here's an example

How much do you need a month?	\$2,000
Divide that by 4 to get your weekly need	500
How many hours a week can you work?	40
Divide your weekly need by the hours you can work	$500 \div 40 = 12.50$
<i>This what you need to net per hour -></i>	12.5
Don't forget taxes. Divide by .7	$12.5 \div .7 = 17.85$
There you go	17.85 / hour

In other words, if you need \$2000 a month, you need to make \$17.85 (before taxes) an hour and work 40 hours a week.

Your turn. Fill in the blanks from your previous worksheets and use your calculator app.

How much do you need a month?	
Divide that by 4 to get your weekly need	
How many hours a week can you work?	
Divide your weekly need by the hours you can work	
<i>This what you need to net per hour -></i>	
Don't forget taxes. Divide by .7	
There you go	

Ok, are you over or under making enough to cover your needs?

Are you making enough to put some into savings? *(You owe it to yourself to put some money aside for later. Otherwise you might find yourself in a terrible position if you have money going out but none coming in.)*

Does it Add Up?

If you have enough coming in, great! If not, well, it's time to figure things out...

If you need to make at least \$17.85 an hour but can't get a job that pays that, what do you do? Or what if you get work that pays \$25 an hour but only gives you 10 hours a week? You either find a way to work more, or you reduce the monthly expenses. Or both.

What about better paying work?

If you work for tips, is there any chance to start working at a more upscale place where tips are better? Or, could you work on building better, personal relationships with your customers so that they might tip better?

If you work hourly, is there any chance of taking on more responsibilities and/or trying for a promotion? (Most convenience store chains have management trainee opportunities.)

If you work for a small or family-owned business, is there anything you might be able to do that would make you more valuable to the owners? Owners tend to reward people that help them lower their costs, find new customers, and/or increase sales to customers. What improvements do you see possible where you are working?

Is it possible to squeeze more time out of your week and pick up another job? How much would you need if you could work 60 hours a week? If you are young and healthy, you most certainly could (especially if you aren't in school). Some people work 70 and 80 hours a week (and some well-paying jobs that require a college degree actually require their employees to work that much...but, they are also paying \$25 or more per hour (do the math on \$25 an hour for 80 hours a week...)

Are you qualified to pick up gig work? Do you have any skills or talents that people are willing to pay for (such as carpentry, lawn maintenance, web design, graphic design, sewing, fitness instruction, or photography, to name a few)?

Better yet, is it even possible for you to do something where you can get paid what you want? Skilled freelancers with portfolios tend to make above minimum wage (but that's another topic).

Consider this: People pay other people to do things they need done that they either don't want to do or that they can't do themselves. The more they need it done and the less likely they can do it for themselves, the more they will pay to get it done. This might not be an option for everyone, but it can be life changing for someone with a valuable skill.

Reality Check

The bottom line is whether there is enough money coming in to first cover the monthly bills and then to add to an emergency fund. Having a plan will put you in a much better position for success than winging it.

Let's wrap this up and revisit the example above. Say you find a job that pays \$10 an hour but only gives you 20 hours a week starting out. If your budget worksheet calculation says you need \$17.85 per hour for 40 hours a week, you've still got a way to go.

If you can't add more hours, another job, and/or some gig work, you have a couple options: Find some roommates or house mates to share the load and/or turn to your parents for help.

If you must go to your parents, it will be a lot easier to gain their support if you use these tools and show them a well thought out plan. Even though it might require you to make some sacrifices, you will at least be partnering with them in transitioning to what everyone wants: Your financial independence!

You can do the math. You can figure it out. Nothing is easy or automatic, but with initiative, effort, and sustained commitment, anything is possible!