

# **Age 22 – Non Professional Jobs - Insights**

## **Introduction**

Having developed my Age 22 Budget, where I assumed I would get a professional job right out of college it was interesting to see what will happen if I don't get that type of job.

I used the same approach in going from Age 30 to Age 22, i.e. I started with my Age 22 Professional job information and first made the appropriate changes to Income, Before Tax Savings (e.g. 401K) and Taxes to arrive at my Spendable Income. I then changed the three expense categories (Lodging, Non-Discretionary and Discretionary), with the goal of not going below zero for the Surplus/Shortage.

## **Income**

I used the Hourly Income worksheet and estimated I would earn \$20,000 – half of what I assumed if I got a professional job (\$40,000).

I assumed I would have three part time jobs: Waiter, Bike Store salesman and Math Tutor. In total I would work 33 hours/week.

There are several ways I could increase my income: Work more hours at my Waiter position or move to a Waiter position where they pay tips. With the Bike Shop sales jobs I can explore if I can go on commission at the Bike Shop and put in more hours. I can try to find more Math Tutor clients (I only have one and this is the highest paying job).

For all of these jobs I need the flexibility to interview for a professional job. Plus I need to not leave my employers in a bad position if I find a professional job and quit. Of the three jobs, the Math Tutor role requires a longer-term commitment. If I only have one student I can probably continue to Tutor or find someone to take over for me. If I had three students it might not be possible to continue.

## **Taxes & Take-Home-Pay**

Income taxes are about 15% of my income, compared to almost 20% with a \$40,000/year professional job. Federal and State income taxes are graduated, i.e. they are a higher % the more you earn. Social Security Taxes and Medicare Taxes are not graduated in my income range, e.g. I pay a 4% Social Security tax at all of my Incomes (\$140,000, \$40,000 and \$20,000).

My Spendable Income is almost 85% of my Gross Income. This is a higher % than at Age 22 where my Take Home was about 80%.

I obviously did not put any money in a 401K for two reasons. First most likely these types of jobs don't have a 401K (although I can set up a Keogh Plan for my Tutoring income because I am self employed). Second I cannot afford to invest any money.

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My spendable income is only about 50% of what I can spend if I have a \$40,000 professional job (\$32,000 vs. \$17,000). It is going to be a real challenge to get by on this amount of money.

### **Lodging**

It is not feasible to live with my parents because they live in a small town that is not close to any possible professional jobs. I also really want to live in California and they live in Illinois.

Almost 50% of my Spendable Income is going to Lodging Expenses (rent payment and renter's property insurance). When I have a professional job, and am earning \$40,000/year, I only project spending around 30% for Lodging.

I have assumed I am sharing an apartment with 3 other people so I only have to pay 1/4 of the monthly rent. I also assume I am renting a less expensive apartment than I would if I had a professional job earning \$40,000/year.

I need to find less expensive lodging, maybe a large house with more kids. Maybe living in a house where I can do some work for a lower rent. Maybe work as a caretaker for a wealthy family who will pay me to stay in their house and watch it while they travel. Maybe I need to find a job as a "Nanny" where part of the pay is free lodging.

### **Discretionary Expenses**

Only about 15% of my Spendable Income is going to Discretionary Expenses because I am spending so much on Lodging (almost 50%) and Non-Discretionary (just above 35%). This leaves very little money for Discretionary spending. The three largest categories of Discretionary Expense are: Food, Fun and Self (my personal expenses).

The amount of money I can spend on Food drops from \$2,300 to about \$1,300 and it will be a challenge to get by on that small amount of food money. My money for Fun dropped from \$2,000 to below \$500. I decided to join the YMCA for my exercise and that is the largest element in my Fun category. What I can spend on myself dropped from a little over \$1,000 to under \$500 – Goodwill here I come. I will just postpone items like new clothes, except I have to look professional when interviewing (not homeless). I did not put any money aside for a down payment on a house. That will have to wait until I get my career job.

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## **Non-Discretionary Expenses**

Over 35% of my Spendable Income is going to Non Discretionary Expenses. This is about the same % as at Age 22 with a professional job.

My biggest expenses are Transportation (public), Utilities and College Loan payments. I don't have a car and use public transportation instead. I am not assuming I will have Medical Insurance so I am taking a big chance that I will stay very healthy. I do have to pay off a small college loan.

## **Summary**

Getting the budget to have a surplus, i.e. spending less than I make, was a real challenge again. I had assumed I was going to make \$40,000 (1<sup>st</sup> job as a professional), but that has not happened yet. So while I keep searching I need income and now I realize making \$20,000 in various non-professional jobs is about all I can do. I had to cut out a significant amount of the expenses I had planned in Age 22 professional job budget.

Compared to the Age 30 budget I had to make major changes in my expenses.

I cannot imagine living at this low of income, but hopefully it is only for a short time. It certainly motivates me to finish college and to find a professional job.

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