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What is Financial Stability?

Financial stability is having adequate income to cover your present and future expenses.

This includes:

Steady Income: Regular and reliable sources of income.

Controlled Expenses: Spending within one's means and avoiding excessive debt.

Savings and Investments: Having savings set aside for emergencies and planning for future financial goals.

Debt Management: Maintaining manageable levels of debt and making timely payments.

Financial Planning: Having a clear plan for budgeting, investing, and saving to ensure long-term security and resilience against financial shocks.

Mesila's Perspective

Financial stability is the ability to handle your financial obligations in a way that contributes positively to other areas of your life.

If you are financially stable, your finances should enhance—not detract from—your:

- ✓ health
- ✓ relationships
- ✓ quality of life
- ✓ peace of mind
- ✓ ability to reach your life goals

This definition of financial stability views money as a tool, **a means to a higher end**, rather than as an end unto itself.

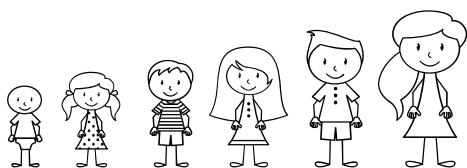
Therefore, success is equated *not with how much money we have* but rather with **how well we live with what we have**. If the goal of obtaining money is to make more money, one's quality of life will not benefit; in fact, such a pursuit may detract. However, if one believes that money is a means to a higher end, then money will *probably* enhance your life as a whole.

ACTIVITY 04 Financial Stability/ Instability Scenarios

The scenarios below describe two different families and the financial decisions they make. Both families have six children, two cars, and live in single-family homes. Both have similar credit scores, but very different incomes.

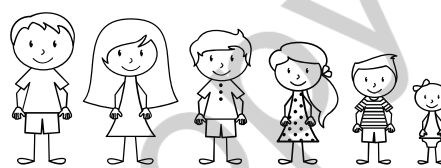
Read and compare. Then fill in the missing information on the Table.

FAMILY A - NEW YORK



The father makes a nice living—\$300,000—so the mother does not work. The family pays a lot of income tax—\$89,000—and receives little or no tuition breaks on their children's combined \$82,000 tuition at their yeshivas. They bought a very comfortable home and put down the minimum down payment. Their mortgage is \$39,000 every year. The family rarely compares prices when shopping. Both cars are leased and have a monthly payment. Since the father owns his own business, all insurance (including medical) is paid out of pocket. All four children have cell phone plans, which total \$3,300 yearly. Several family members buy meals (at least 3-4 per week) at local eateries. They hire cleaning help three times a week. Three of the children have Uber accounts, which average \$2,500 each year. They also take at least two family vacations a year, which cost \$15,000. The two older children go to sleepaway camp in the summer, and the two younger children attend a local day camp. Total camp tuition is \$18,000.

FAMILY B - FLORIDA



Both parents work in Jewish education. The father earns \$65,000. The mother teaches part-time and earns \$30,000. Since they work in Jewish education, a sizable portion of their income is tax-free, and they only pay \$4,555 in income taxes. They also receive about \$8,000 in Florida state vouchers for their children's tuition. Since both parents are educators, they only pay \$10,000 in tuition. The remainder of tuition is paid for or included in part of their teaching salaries under the tax clause, Qualified Tuition Reduction (QTR). They live in a modest but comfortable home and used their savings to make a 20% down payment. Their mortgage is \$24,000 every year. They are careful shoppers and look for the best prices before making purchases. They own both of their eight-year-old cars. Since they qualify for state insurance, their medical insurance is free. Only the two older children have cell phones, and they purchase plans from a discount provider which only costs them \$1,140 a year. They hire cleaning help one day a week. Both parents spend the summer working in a sleepaway camp, which provides free camp for two of their children. Their older daughter works at a different camp. They only pay camp tuition for one of their children. They take local vacations that cost them around \$2,000 a year.

ACTIVITY 06 Average Orthodox Jewish Expenditures

WHAT DO YOU THINK?

What percentage do you think the average Orthodox Jewish family allocates to those categories?

Write your estimated percentages in column 'C' on the chart.



ACTIVITY 07 Spending Habits Practice

Answer the following questions:

1. Which category represents the largest portion of the average U.S. consumer's annual spending?

2. What percentage of annual spending goes towards education, and where does it rank among other spending categories?

3. What percentage do average U.S. consumers typically spend on transportation?

4. Which category amount surprised you and why?

5. Which category(s) do you think would be larger or smaller for the average Orthodox Jewish family, and why?



LESSON 01 Takeaways...

1. Explain the concept of **financial stability**.

2. Using this definition, explain which family from the scenarios above, Family 'A' or Family 'B', is more financially stable by the end of the year and why.

Mazal Tov! You've finished **LESSON 01.**



Self-actualization

Morality, creativity, spontaneity, problem-solving, lack of prejudice, acceptance of facts

Esteem

Self-esteem, confidence, achievement, respect of others, respect by others

Love/Belonging

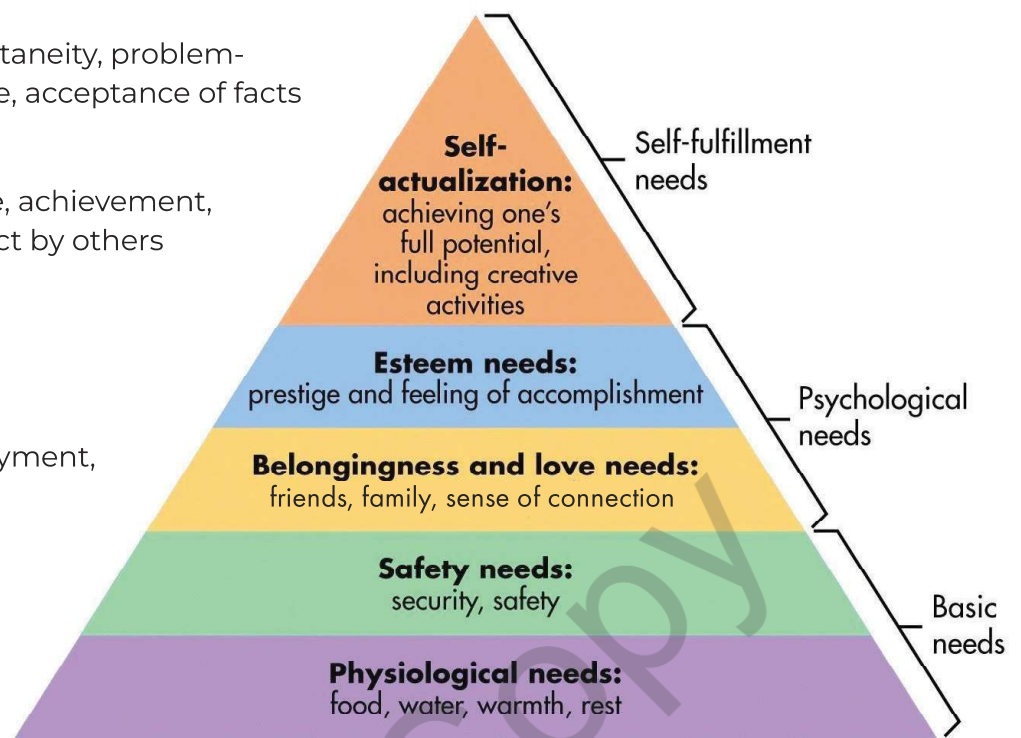
Friendship, family

Safety

Security of body, employment, resources, morality, the family, health, property

Physiological

Breathing, food, water, sleep, homeostasis, excretion



Wants Vs. Needs

It is important to have some of what you want (but not everything you want). Practically speaking, a person cannot function optimally unless his needs are met, and he also has a bit extra that is not absolutely necessary so that he doesn't feel suffocated or deprived.

An effective way to streamline a budget is to identify your discretionary spending (wants) versus your essential spending (needs).

There is no limit to what a person can want. Therefore, it's important to think through your wants before deciding to indulge one because having one thing you want often comes at the expense of something you want more. (See below – *Opportunity Cost*)

How do we know whether something is a need or a want?

Needs: Generally, if needs are unmet, they become more intense and lead to feelings of deprivation.

Wants: Generally, if we deny ourselves something we want, we exercise and strengthen our self-control and self-discipline muscles.

Example: If a person is hungry and does not yield to the urge to eat, he will only become hungrier because he has a real need for food. But if a person wants chocolate and does not

give in to the urge, eventually, his desire for chocolate will abate, and it will become easier for him to resist the temptation.

Here is a quick mental test for differentiating between needs and wants: Wait a while and see – does the desire intensify or weaken with time? Needs tend to intensify with time and wants tend to abate over time. It is important to know that the incidence of depression is much higher in wealthy countries.

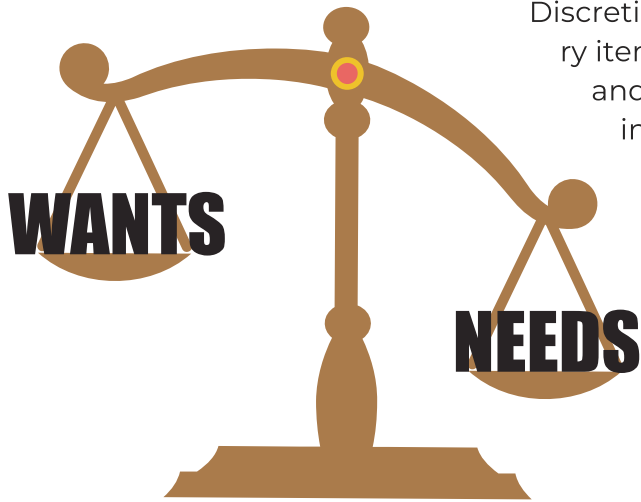
ACTIVITY 01 Spending Habits Practice

Complete the table below. Column A is a list of activities and pursuits to which people in our communities typically devote money.

- 1 In Column 'B' fill in which spending category (from the list on the previous page) corresponds to each activity or pursuit.
- 2 In column 'C', choose one (or more) of Maslow's categories that reflects each activity or pursuit. There may be more than one Maslow's need.

Note - the first one is done for you.

A: ACTIVITY/PURSUIT	B: SPENDING CATEGORY	C: MASLOW'S NEED
Acquiring New Skills	<i>Education/Professional Dev.</i>	<i>Self-Actualization</i>
Beauty/Hair Treatments		
Giving Charity		
Joining a Gym Or Club		
Grocery Shopping		
Home Maintenance		
Taking Care of Pets		
Going to Torah Classes		
Buying Clothes		
Maintaining Your Car		
Eating Out		
Paying Rent or Mortgage		
Redecorating Your Home		
Landscaping		
Taking Vacations or Trips		
Fixing a Broken Car		
Having Health Insurance		



Discretionary spending includes money spent on luxury items, vacations, and nonessential goods and services. Keep in mind that this is different from the term *disposable income*, which we will learn about in *Unit 5: Taxes and Employment*.

Financial Stability In Practical Terms:

Having everything you need and some of what you want.

A person must be aware of what he/she needs and wants in order to function and thrive. This awareness is the basis for establishing spending priorities.

Needs are subjective, based on the following factors:

Society (Location/Time): Your needs are determined, to a large extent, by the place and time you live in.

Example: If you live in Israel, you might consider a car a luxury. If you live in North America, you might consider a second car a necessity. Depending on where you are from, going to sleepaway camp may be a luxury or may be a necessity. A cell phone could be classified as a need for someone who owns a business today, but the same may not be said about a child.

Wealth is also subjective. A person's society determines what is considered wealth.

Example A: Rothschild rode in a horse and buggy and had no indoor plumbing or air conditioning – so why did he feel wealthy, and in contrast, today we may not even if we have these comforts?

Example B: A researcher said that the time of his life when he felt the richest was when he was on assignment in Africa. He lived in a hut with a roof made from straw and reeds, while the other villagers lived in huts with simpler roofs.

Personality: People have different physical needs and sensitivities.

Some people can live on tuna sandwiches happily; they might not understand someone else's need to eat out when there's nothing in the fridge.

Some people purchase a school lunch every day, while others always bring their own.

Some people can sleep on any bed; to them, it seems odd that people would invest in expensive mattresses or bedding.



Priorities and Spending Attitudes

Interview Project



Objective: To examine the differing needs and wants among people from different generations, societies, or backgrounds.

Instructions:

- 1.** Choose two interviewees who come from different backgrounds. (Note: The more different your interviewees, the easier this assignment will be for you.)
- 2.** Develop interview questions (8-10) about your interviewees' spending attitudes and habits and the decision-making process in their purchases. You may use some or all of the sample questions below, but you must also develop some of your own.

Sample Questions:

What do you consider a need that others might consider a want?

What luxuries can you live without that others might consider a necessity?

How did the society you grew up in shape your personal needs and wants?

What did you lack growing up that you wished until this day that you had?

Managing Expenses

An Essential Key to Financial Stability

How is it possible that two people, both making equal comfortable incomes, can have very different amounts left over in their bank accounts at the end of the month (if at all)?



The answer is that income is only half the equation for managing finances. Equally important is how we manage expenses. A large part of controlling expenses is based on attitudes (see Unit 3). This chapter will expand upon this concept related to shopping, which is often a significant item in any personal budget.

Shopping Decisions

Many of our regular living expenses are based on a one-time decision lasting months or years.

For example, once you choose a place to live, your rent or mortgage will likely remain the same or similar for a while. The same is true with your decision on which car insurance to buy or which phone carrier you use. Unless you experience a life change (get married, have a child, or have an illness) or there is a drastic change in a particular company you use, the amount of your expense will depend on the one-time decision.



Example:

A newlywed couple who has never done their own shopping may not know if the fair price for a gallon of milk is \$3, \$5, or \$8.

Over time, as a person gains more experience, it is possible to learn which stores have better prices, value for the money, and quality merchandise. To become a better comparison shopper, a person needs to pay attention and take mental or written notes to help them improve.

Things a person should consider to become a better comparison shopper:

1

Unit to Be Compared

Examples of different units for different common items

- Meat or fish: Price per pound
- Disposable goods: Price per item
- Tissues: Price per tissue
- Paper towels: Price per square foot
- Toothpaste or shampoo: Price per fluid ounce



Quality

Example: Product A of a paper plate costs 2.7 cents per plate, and product B costs 4.8 cents. However, you notice that the plates from product A are so thin that you always use two plates, so they don't soak through. Therefore, you are better off with product B.

2

ACTIVITY 01 Shopping Influences Practice

Use the correct word or phrase from the list above to fill in the blanks.

1. Companies are not allowed to lie about their products because of _____ that protects buyers.
2. The belief that buying more things can improve your life is part of _____.
3. An advertisement _____ is designed to make people aware of a new product or service.
4. Some ads can be _____, trying to trick people into buying things they don't need.
5. A political _____ can shape how people think about important issues.

Shopping Influences

Companies invest heavily in advertising.

Experts expect the global advertising industry to soon hit \$1 trillion.



The United States remains the largest advertising market globally, with spending that often surpasses most other countries in the top 10 combined. Coca-Cola spends about \$4 billion each year on advertising. A 30-second ad during the Super Bowl costs \$8 million. With so much investment into this industry, it must be more than just providing information. Much of advertising relies on the study of human psychology and even has the power to affect our culture.



Comparison Shopping Assignment



Objective: To improve shopping skills by doing comparison shopping; gathering and analyzing price and quality information on various items across multiple stores.

Instructions:

Choose five different items to practice comparison shopping. The items need not be identical but similar (for example, various types of pasta are OK to consider as a comparable item). Visit three different stores that carry this item. After gathering and recording all relevant data, answer the following questions.

1. Where would you decide to purchase each item and why?
2. Based on your data, which store will likely have the best prices on other items?
3. Are the items you chose to compare perishable, and would it be practical to stock up on that item if it goes on sale?
4. What are the most dominant factors determining how you decide which items to purchase? (quality, convenience, price, influenced by marketing, etc.)

Something
to THINK
ABOUT

Consider this scenario:

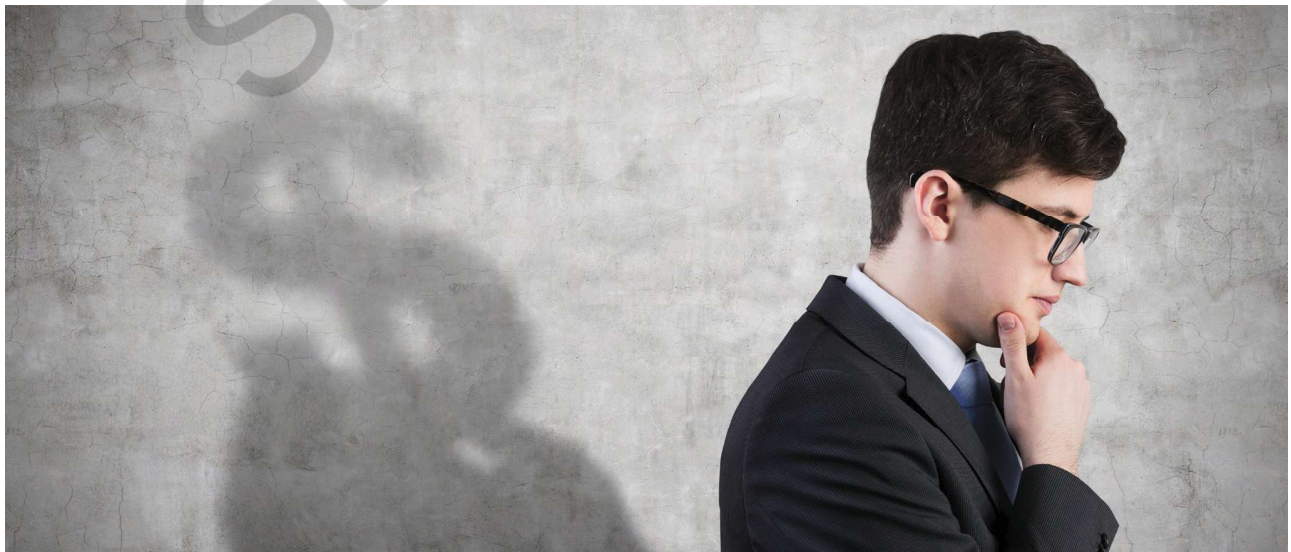
**You unexpectedly win \$5,000 in a lottery.
What would you do with the money?**

- *Would you spoil yourself with a luxury that you could not afford until now?*
- *Would you save it for the future?*
- *Use it to pay for necessary expenses now?*
- *Give it to a friend or to charity?*
- *Other?*



The different answers to a question such as this reflect the different attitudes we each have toward money. Different financial attitudes will eventually translate to different financial behaviors.

People who are going through periods of financial instability may consider exercises in first shifting their attitudes. Cognitive behavioral psychology (CBT) helps individuals identify and change negative thought patterns and behaviors and is very effective in treating conditions like anxiety, depression, and phobias. So, too, studying and working on our attitudes and psychological approach to money can help us develop healthy financial behaviors to lead happier and more productive lives.



Prudence Leib Gourguechon, M.D is a psychoanalyst and business consultant. This Article entitled **“The Psychology of Money: What You Need to Know to Have a (Relatively) Fearless Financial Life”** appeared in Forbes magazine:

Many people are not entirely rational when it comes to money. We don't create and follow a budget or save something every paycheck, though we believe it would be in our best interest. We know we need a financial plan but put off the work involved; somehow, it never happens. We spend too much out of recklessness or exuberance or too little out of guilt. Our money behavior often causes shame.

It's worth thinking about money as something with which you have a complex relationship. Here are three key things to know about the psychology behind our personal relationships with money:

- Emotion plays a huge role.
- Anxiety and avoidance create a vicious cycle.
- Psychologically, you can't entirely escape your family and your past.

Emotion and Money

The most important emotions in relation to money are fear, guilt, shame, and envy. It's worth spending some effort to become aware of the emotions that are especially tied to money for you because, without awareness, they will tend to override rational thinking and drive your actions.

What's there to be afraid of? The possibilities are as varied as there are individual stories. But common fears include the fear of not having enough, the fear of looking stupid, the fear of provoking envy, and the fear of being exposed or humiliated.

Guilt and shame are not the same emotion. Guilt has to do with feeling bad about a negative impact you've had on others, while shame is a feeling evoked when you let yourself down or don't live up to your own sense of what's right.

You might feel guilty because you have more than your friends, or you haven't been particularly charitable, or you've had money come too easily.

Perceptions of Wealth

Much of how we view wealth is subjective, according to our society. Consider these wealth issues.



1. What does one need to attain to be considered “wealthy”?
2. Do we perceive wealthy people as smarter or more talented than poor people? (If we do, consider how often that jives with reality)
3. Are wealthy people happier?
4. Do wealthy people lead easier lives?
5. Are wealthy people better people than non-wealthy people?
6. Do wealthy people deserve more honor? Are they more worthy of admiration?
7. Are there advantages and disadvantages to being poor? Are there advantages and disadvantages to being rich?
8. Is it immoral if there is huge income inequality in a society? For example, if 1% of a population has as much wealth as the bottom 90% of the population, is that a problem?
9. If someone is poor, does that mean he/she is lazy?
10. Is a person’s wealth part of his/her identity?

We can ask ourselves many thought-provoking questions to help us think more deeply about wealth and what it means to us. It is worthwhile considering an “if so...” follow-up question to any question about wealth.

For example:

- If someone does believe that, in general, wealthy (and famous) people are happier, a follow-up question would be, “if so... does that mean that people who live in Hollywood and Beverly Hills, California, are the happiest people on earth?”
- If someone believes that winning the lottery will equal financial freedom, a follow-up question can be, “if so, why is it that one-third of lottery winners eventually declare bankruptcy?”

*Something
to THINK
ABOUT*

Consider a perception that you currently have about wealth that you would like to change.





LESSON 02 Takeaways...

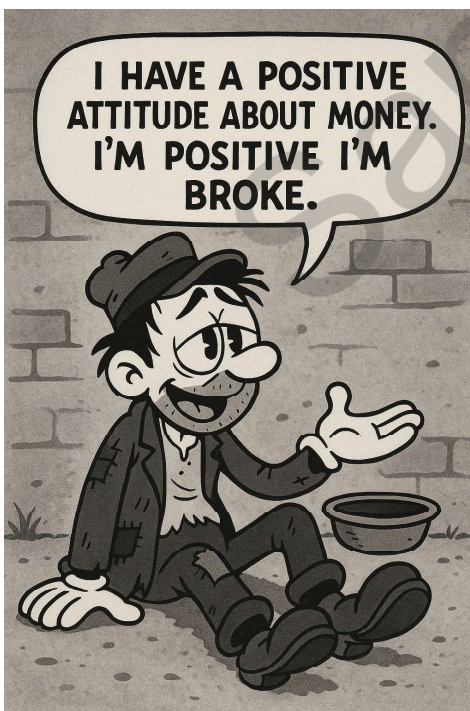
Reflect on your own beliefs about money. Consider how your family, culture, and personal experiences have shaped these beliefs. Use the following questions to guide your reflection, and then answer the questions below:

- What messages about money did you receive growing up?
- How do you feel about spending, saving, and investing?
- How do you handle financial stress or unexpected expenses?
- Do you have any specific financial goals or fears?

1. Which money script is most dominant in your life?

2. How do you think it was formed? (family influence, cultural impact, personal experiences, etc.)

3. Are there any problems you anticipate could arise based on your current money script? Explain.



4. Do you think that most of the thoughts that people have regarding wealth are accurate? Why do you think these thoughts become so popular?

You're doing great!

END OF LESSON 02!



Behavioral Finance & Novardok Philosophy

In the early half of the 20th century, a large school system took root in Eastern Europe with a special focus on developing control over one's emotions and attitudes. Named after the city of its founding, the Novardok school system grew to over 70



Novardok School, May 9, 1920

schools prior to the outbreak of World War 2. A strong emphasis of the study was placed on several of the emotions related to the subject of behavioral finances. Subconscious emotions such as pride, envy, fear, guilt, and shame were not just topics of study but areas of self-reflec-

tion and development. In the same way, most schools today incorporate physical education and gym classes as a way to promote healthy physical living, and students of Novardok regularly performed exercises to develop healthy emotions and attitudes.

One classical Novardok exercise was to walk into a hardware store and ask to purchase fruit or to ask for a hammer and nails in a fruit store. The objective of such exercises was to fight against

the natural tendency most people have of "What will other people think of me?". By downplaying the issues of image and pride, students became free to live a life they were interested in leading, unburdened by the negative thoughts of others (real or imagined).

1	<u>Wedding 'A'</u> A typical wedding in your community	<u>Wedding 'B'</u> A wedding 2-3 levels fancier than the norm, 'A'	<u>Wedding 'C'</u> A wedding less fancy than the norm, wedding 'A'
5-10 Sentence Description			

2	<u>Wedding 'A'</u> A typical wedding in your Community	<u>Wedding 'B'</u> A wedding 2-3 levels fancier than the norm, 'A'	<u>Wedding 'C'</u> A wedding less fancy than the norm, wedding 'A'
Hall			
Appetizers			
Food			
Music			
Flowers			
Wedding Dress			
Photographer			
Other			

3. Answer the questions based on the information from the tables above.

A. What are some features that the fancier wedding (B) may have, and what would you estimate the extra costs would be?

B. Do you think most people who attend the fancier wedding will have more or less respect for the people who are making the wedding because of the additional costs?

C. What may be the emotions of the attendees who experience the extra luxury (joy, envy, blow to self-image, anger, etc.)? Explain.

D. What do you think are the likely driving forces behind the people making the fancier wedding? Explain.

E. What do you think would be the thoughts and emotions of those who attend wedding C?

F. If a student of Novardok could easily afford to make the fancier wedding (B), do you think they would? Why or why not?

In some fields – law or medicine, for instance – the prestige of the institution you attended is a critical factor in landing a job. In other fields, such as accounting or computer programming, you only need to show a piece of paper that says you are qualified to do the job. In some fields, how you acquired your knowledge is wholly irrelevant – no one asks what school a business owner or a building contractor attended.



Strategies to Optimize Your Education Path

1. DECIDE ON A CAREER BEFORE GOING TO SCHOOL.

To get the most from your education, start by deciding what kind of work you want to do and identifying the skills or knowledge required for that career. While this seems logical, many people do the opposite—they choose a program first and figure out their career later. This often leads to wasted time and money on education they never use.

Without clear career goals, students frequently pick programs or courses based on convenience or trends rather than their suitability for the field. Others choose broad majors like “humanities” or “liberal arts,” which may offer fewer career opportunities compared to specialized areas of study.

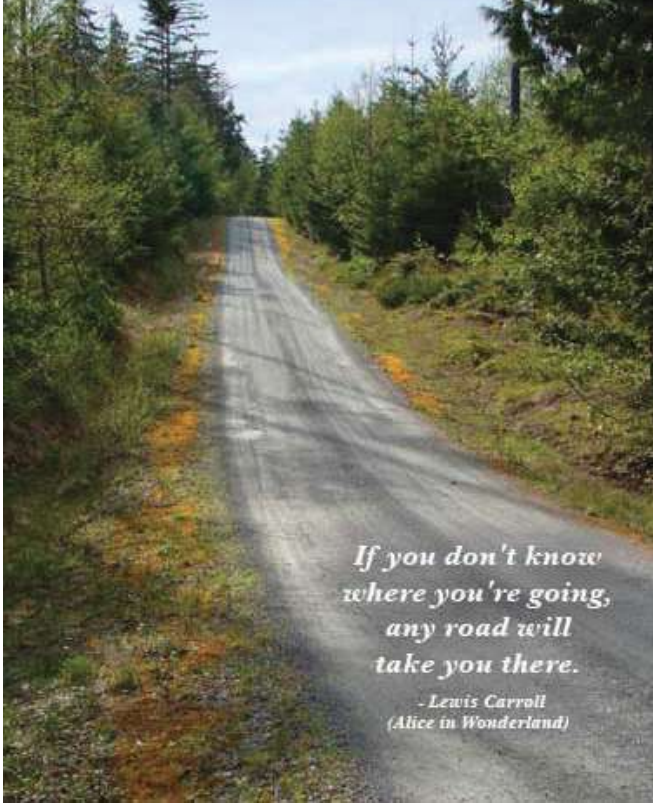
Unfortunately, many people spend years and thousands of dollars on education for careers they never pursue. This often happens because they start without a clear career goal. Instead, they choose programs simply because they are available or popular, without considering if the field is right for them.

This approach is especially prevalent among young women who graduate seminary and are suddenly thrust into the bewildering world of job-hunting and vocational training. Having spent the majority of their lives doing exactly the same thing as their peers – going to school, going to camp, going to seminary – they approach job-hunting and vocational training with the same mentality: “I want to do what all my friends are doing.” They don’t realize that from now on, they will have to make their own life decisions and either reap the rewards or suffer the consequences of those decisions. The type of jobs and training they pursue at this stage in their lives will go a long way in shaping their future income-generating potential, and the more thought they put into their career choices at this juncture, the better positioned they will be to help support their families in the future.

What type of education path you pursue should depend on what type of education you need to succeed in your chosen profession. For example, you must attend medical school to become a doctor. On the other hand, you don’t have to attend business school to pursue a career in business.

2. SPEND SOME TIME JOB SHADOWING

Shadow or follow someone at work to understand a typical day in their job. It’s an effective



LESSON 03 Choosing A Career

*If you don't know
where you're going,
any road will
take you there.*

*- Lewis Carroll
(Alice in Wonderland)*



Something
to **THINK**
ABOUT

An average person spends 90,000 hours at work over their lifetime.

What tools or strategies could you use to help you choose a career that aligns with your interests, values, and goals?



Investing some time in choosing the career that best suits you is worthwhile. Here are several strategies for deciding on a career path.

1. SELF-REFLECTION: Take the time to reflect on your interests, passions, and skills.

- Consider the fields or subjects that excite you, hobbies that bring you joy, and activities where you excel.
- Think about what makes you feel fulfilled and energized.
- Assessing your strengths, interests, and skill set will provide valuable insights into potential career paths that align with your personal inclinations.

Choosing a profession that matches your personality is a first step towards a rewarding career.

2. EXPLORE CAREERS: It is important to research different careers and industries to understand the options available.

- Speak to family members or friends who have been successful in a career that piques your interest or that you don't know much about.
- Seek out informational interviews, job shadowing opportunities, or internships to get first-hand exposure to various professions.

🔍 job

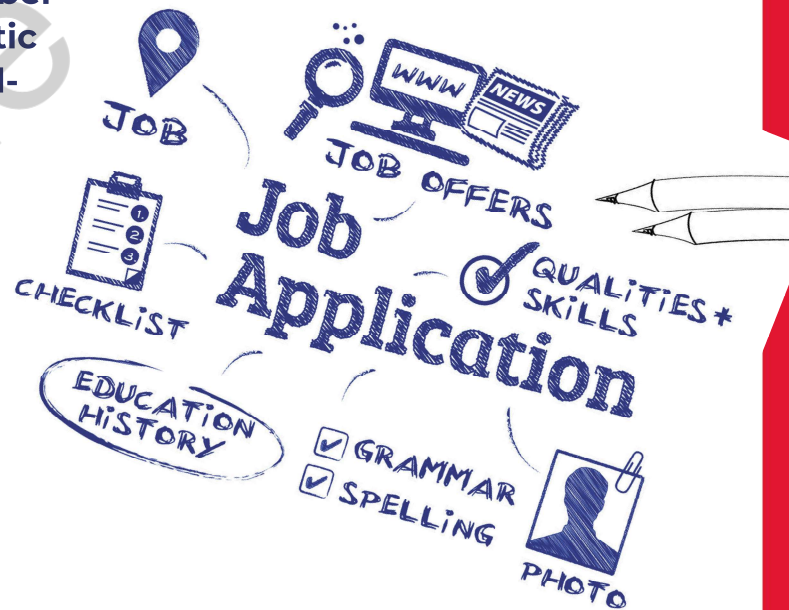
Search

LESSON 02 Embarking on Your Job Search

Thinking about looking for a job may seem overwhelming, but remember that, ultimately, being your authentic self while presenting your best qualities is crucial to finding the best job for you.

Looking for a job entails the following steps. Note this order is not linear and may change as you go through the process.

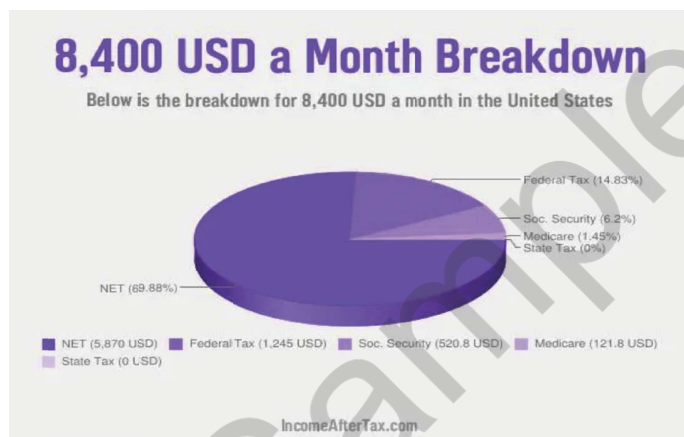
1. Write your resume
2. Network
3. Look for Jobs
4. Research the companies
5. Decide on which jobs to apply for
6. Write a cover letter/email and submit your application
7. Schedule your interview
8. Prepare for the interview



LESSON 02

Gross Income & Net Income

Let's consider the following scenario. Imagine a worker who earns a monthly salary of \$8,400, which adds up to over \$100,000 a year. At first glance, it might seem like a substantial amount. However, this figure is most likely **the gross income**, which is the total amount a worker is paid before any required or voluntary deductions are made. The **net income**, also known as the 'take-home pay,' is the actual amount a person receives when they cash or deposit their check. It's the remaining amount after all the deductions, such as taxes and other contributions, are subtracted. Another term for net income is **disposable income** (not to be confused with "discretionary income" on page 19).



	Yearly	Monthly
Gross Salary / Income	\$100,800	\$8,400
Federal Income Tax	-\$14,944	-\$1,245
Social Security Payment	-\$6,250	-\$520.8
Medicare Fee	-\$1,462	-\$121.8
Net Income (NET) / Take-Home Pay	\$78,145	\$5,870

Even before calculating other taxes, such as state income tax, this gross salary of \$100,800 will likely translate to a net income of \$78,145 after required federal taxes are paid.



LESSON 02 Takeaways...

What is the difference between gross income and net income?

LESSON 02 *was a breeze!*



Penalties

As a penalty, the IRS can legally seize your property, bank accounts, or salary. In the most extreme cases, you can go to jail for not filing taxes. The tax law provides a year of imprisonment for every unfiled tax return. However, this harsh penalty is only sought for taxpayers who willfully fail to file returns and also decline every opportunity to resolve their tax issues.

INTERESTING FACTS

OF THE MOST NOTORIOUS CRIMINALS OF THE 20TH CENTURY WAS A GANGSTER KNOWN AS AL CAPONE.

He ruled the mafia underworld in Chicago from 1925 to 1931. He was considered untouchable by the law as he had the police and even the mayor of Chicago on his payroll. He was finally sent to jail for **tax evasion** on his ill-gotten income. The gangster, who had reportedly boasted, "**They can't collect legal taxes from illegal money,**" was sentenced to 11 years in prison for failing to file tax returns. He was sent to the famous Alcatraz prison and eventually died at age 48.



Mugshot of the American gangster Al Capone, taken on 17th June 1931



LESSON 04 Takeaways...

1. What is the difference between tax evasion and tax avoidance? Provide an example of each one.

2. What is a tax audit, and why might someone be audited by the IRS?

Awesome. **YOU FINISHED LESSON 04!**

