Life After College

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EECS 496

Based on talks by
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Life after College

I just wrote the most beautiful code of my life.
Agenda

• Employment
• Career Management Advice
  – Motherhood and Apple Pie
• Financial Literacy
  – Salary & Benefits
  – Savings
  – Expenses: Housing/Transportation/Food/etc.
  – Budgeting
• The work description (what you will be doing)
• The salary and benefits (what you will be paid)
  – Vacation time, personal leave, sick time, holidays
    • Sometimes are limits on rolling over vacation
  – Health insurance, retirement, disability, …
• The term (how long you will be doing the work).
  – If not specific time, then it is an *at-will* contract.
  – Can be fired any time for any (legal) reason
  – You can quit at any time (usually 2 weeks notice).
• Other
  – Hours you must work
  – Whether you can be transferred to another location
  – Restrictions if you leave – non-compete
• Usually written, but can be oral.
Non compete clause

• You will not engage in the same type of business as your employer should you leave your current job.
  – Designed to protect against you taking trade secrets
  – Must be limited in time and geographic scope
  – Must be limited to “a reasonable competitive business interest” – more than just competition
    • detailed customer list,
    • confidential information,
    • trade secrets,
    • and business goodwill.
• Talk to a lawyer before signing
  – Especially if you think you might change jobs in the future.
• Not legal in California, but is in Michigan (although limits)
Rights as Employee

• Employer cannot take any action against you based on your:
  – Race, color, religion, creed, national origin, age, sex, sexual preference (in 21 states), or disability

• Cannot be fired or demoted for exercising legally protected rights
  – Speaking at an outside meeting, supporting an organization, …

• Unless it interferes with your employer’s business
  – Making a speech at lunch in support of a specific political candidate.

• Employer cannot interfere with your outside life when it does not interfere with your work. But can respond to those aspects that do:
  – Repeated arrests for driving while intoxicated.

• Employer cannot threaten you with physical or verbal brow-beating.

• You have the right to a safe and healthy environment.
Entitled not to be subject to *sexual misconduct* by an employer or fellow employee

1. *Quid pro quo* sexual conduct: an offer, such as a raise or promotion if employee engages in some form of sexual conduct (or threat of opposite if does not engage…)

2. *Sexually-charged environment.* Too much sexual attention, even if no specific offer is made.
   - Continual off-color jokes,
   - offensive remarks or gestures,
   - inappropriate stares.
An Aside – Meeting Dynamics

• “Years ago, while producing the hit TV series ‘The Shield,’ Glen Mazzara noticed that two young female writers were quiet during story meetings. He pulled them aside and encouraged them to speak up more.
  • Watch what happens when we do, they replied.
  • Almost every time they started to speak, they were interrupted or shot down before finishing their pitch. When one had a good idea, a male writer would jump in and run with it before she could complete her thought.
  • Sadly, their experience is not unusual.”

• “(Professor Brescoll) asked professional men and women to evaluate the competence of chief executives who voiced their opinions more or less frequently.

• Male executives who spoke more often than their peers were rewarded with 10 percent higher ratings of competence.

• When female executives spoke more than their peers, both men and women punished them with 14 percent lower ratings.”
Be Professional

• Responsible
• Reliable
• Friendly
• Hardworking – quality work
• Teamplayer
Career Mgmt: Micro Level “To Do” List

• Be a responsible team player
  – Always take notes
  – Always have colleagues’ “back”
  – Always listen & get the directions/phone #/address/etc.
  – Don’t be the “someone else will make sure I know what I need to know…”
  – People appreciate someone who makes them look good

• Fact check & double-check your work
  – Turn in the best quality drafts you can, especially when you are new
  – Be consistent & be neat

• Don’t make someone have to ask twice

• Try not to ask stupid questions
  – Yes, there are stupid questions
  – Ones that show you aren’t listening or thinking

• Try not to embarrass your team leader/project manager/boss in front of colleagues or clients

• Try to work with “upbeat” people – not “de-energizers”
Managing Your Career: Be an Workplace Anthropologist

- Study the culture ("unofficial rules")
  - How do organization members dress?
  - What are the cultural norms?
  - What are the common metaphors?
  - Hopefully you will have a mentor who can help you

- Examples from a NYC big-time law firm:
  - Do not wear ties with button down collar shirts
  - Always acknowledge/answer voicemail messages and email correspondence
  - Become familiar with sports metaphors & idioms
Career Mgmt: Macro Level “To Do” List

• Create/find an environment in which you can be your best self (professionally) & personally
• Make time for your non-work life
• Do your best not to be petty (gossip)
• Acquire new skills (i.e., intellectual capital)
Should you stay or should you go?

• Scenario #1: You Love Your Work
• Scenario #2: It’s Just Okay
  – Ask Yourself: why is it just okay?
  – Exit vs. Voice
• Scenario #3: You’re Miserable
  – Ask Yourself: why am I miserable?
  – Can you fix it while staying?
  – Sometimes, there’s no fix
How Long is Long Enough?

• Depends on the alternative
  – If your dream job becomes available, go for it.

• But don’t jump to a new “dream” job every 6 months.

• Seems like 2 years is minimum
  – Will probably be clear after you’ve been at the job
  – Good time to re-evaluate your options

• Depends a lot on your personality

• If you stay long-term, make sure you are getting new experiences and getting appropriate rewards.
  – There is often a loyalty tax…

• If you leave, try to leave on good terms
Managing Your Career: Looking Ahead

• Always keep your resume up to date
• Use a “professional” personal email address
  – Gmail or an alum account
  – Think about the email account name
• Keep in touch with
  – College friends
  – Those who have left your company
  – Grad school plans?
  – Keep in touch with your profs & GSI’s
  – Keep in touch with friends who are in grad school
Summary of Career Stuff

• Be patient with yourself:
  – this can be a stressful transition
• Be committed to where you are
  – but be open to and/or create opportunities
• Be professional and do your best
• Focus on what you are getting out of the experience;
  – change what you can change to make things better
• Build & maintain your network
Agenda: Financial Literacy

- Real Salary & Cost of Living Comparisons
- Net Salary: Those pesky Taxes
- Employer-provided benefits
  - Health care
  - Retirement plan
  - Other
- Savings
- Credit cards & debt
- Budget!
• Cost of living varies by location,
  – Housing, food, transportation costs
  – State income taxes & sales taxes

• There are various calculators and indexes, e.g.,
If earning $75,000 in Ann Arbor, the equivalent salary (to maintain same lifestyle) would be:

- $109,649 in San Jose, CA (+45%)
  - Housing is 114% more, on average
  - Groceries are 27% more, on average

- $100,365 in Boston, MA (+34%)
  - Housing is 52% more, on average
  - Utilities are 31% more, on average

- $92,470 in Seattle, WA (+23%)
  - Housing is 44% more, on average
  - Utilities are 5% less, on average

- $85,087 in Chicago, Illinois (+14%)
  - Housing is 18% more, on average
  - Transportation is 24% more, on average

- $68,00 in Raleigh-Durham, NC (− 7%)
  - Housing is 32% less, on average
  - Groceries are 8% more, on average

- $162,134 in New York, NY (+115%)
  - Housing is 282% more, on average
  - Groceries are 43% more, on average
## Federal Individual Tax Rates

### Individual Tax Rates (single):

<table>
<thead>
<tr>
<th>Marginal Rate</th>
<th>$0</th>
<th>$9,075</th>
<th>10%</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>$9,076</td>
<td>$36,900</td>
<td>15%</td>
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<tr>
<td></td>
<td>$36,901</td>
<td>$89,350</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>$89,351</td>
<td>$186,350</td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td>$186,351</td>
<td>$405,100</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>$405,101</td>
<td>$407,750</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>&gt;$407,751</td>
<td></td>
<td>39.6%</td>
</tr>
</tbody>
</table>

### Tax on $75,000

<table>
<thead>
<tr>
<th>Rate</th>
<th>Income Range</th>
<th>Tax</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>$9,075</td>
<td>$908</td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td>$27,825</td>
<td>$4,174</td>
<td></td>
</tr>
<tr>
<td>25%</td>
<td>$38,100</td>
<td>$9,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$14,582</td>
<td>19.4%</td>
</tr>
</tbody>
</table>

What if donate $5,000 to charity?  
What if install $10,000 of solar panels and get a tax credit?
• **Marginal** tax rates on a $75,000 salary
  – Federal: 25% (progressive)

  – State: (ave. 5%–6%)
    • California: 9.3% (progressive)
    • Massachusetts: 5.25% (not prog.)
    • Michigan: 4.25% (not prog.)
    • Illinois: 5% (not prog.)
    • New York: 6.65% (prog.)
      – + NYC: 3.648% ≈ 10.3%
    • Washington state: 0%

  – Total Marginal:
    • Fed + State (6.5% ave.) ≈ 32%

“After federal, state, and local taxes, you get one-third of a wish.”
Be Aware: Net Earnings Calculations

• Bottom line:
  – On average, you get about 68 cents on each additional $1
  – A $5000 pay raise (marginal) nets you about $3400

• Benefits contributions lower your net paycheck
  – Good news: health, dental, vision (and some retirement) contributions are taken out pre-tax
  – This actually lowers your federal & state income tax obligations

• Plan ahead for April 15:
  – Interest, dividends, and 1099-MISC income usually do not have taxes withheld
  – $1 of interest means you owe about 32¢ in taxes
    • Because it will be taxed at the marginal rate
## Take Home: Calculating Your Net Earnings

<table>
<thead>
<tr>
<th></th>
<th>Annual</th>
<th>Monthly</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary (Gross)</td>
<td>$60,000</td>
<td>$5,000</td>
<td></td>
</tr>
<tr>
<td>Federal Income Tax</td>
<td>$ 8,838</td>
<td>$ 736</td>
<td>25% marginal tax rate; Standard deduction</td>
</tr>
<tr>
<td>State Income Tax (MI) or (CA) or (IL)</td>
<td>$ 2,200</td>
<td>$ 184</td>
<td>4.35% flat rate</td>
</tr>
<tr>
<td></td>
<td>$ 2,987</td>
<td>$ 249</td>
<td>9.55% marginal rate</td>
</tr>
<tr>
<td></td>
<td>$ 1,520</td>
<td>$ 127</td>
<td>3.0% flat rate</td>
</tr>
<tr>
<td>Social Security (FICA)</td>
<td>$ 3,720</td>
<td>$ 310</td>
<td>6.2%</td>
</tr>
<tr>
<td>Medicare Tax</td>
<td>$ 870</td>
<td>$ 72</td>
<td>1.45%</td>
</tr>
<tr>
<td><strong>Estimated Net (MI)</strong></td>
<td><strong>$44,372</strong></td>
<td><strong>$3,698</strong></td>
<td>74% of gross</td>
</tr>
<tr>
<td><strong>Estimated Net (CA)</strong></td>
<td><strong>$43,585</strong></td>
<td><strong>$3,632</strong></td>
<td>72.6% of gross</td>
</tr>
</tbody>
</table>

**Notes:**
- Federal Income Tax: Standard deduction
- State Income Tax: 4.35% flat rate, 9.55% marginal rate, 3.0% flat rate
- Medicare Tax: 1.45%
• Health insurance (including drugs & maybe vision)
  – DON’T pass up insurance coverage
  – Unless better coverage through spouse/parents
  – Unless you have a known health problem, focus on coverage for serious illness/injury
  – Dental insurance
• Employee share of health insurance premiums
  – If you’re lucky, your share may be near $0
  – More likely, around $100/month
• Flexible Spending Account (FSA)
  – Pre-tax dollars you get to spend on health/dental expenses
Employer-Provided Benefits: Other

• **Life insurance**
  – If you have dependents
  – If you have student loans!
  – Otherwise why do you want someone to wish you were dead.
  – If you need it, buy term…

• **Disability insurance**
  – If you get injured, this is what pays your bills until you can work

• **If your employer has benefit gaps in insurance coverage?**
  – Look to professional societies (e.g., IEEE, ACM)

• **Transportation:**
  – Parking subsidy or public transportation passes

• **Tuition reimbursement**

• **Matching donations to charities**
Make It a No-Brainer!

- **Before your first day on the job:**
  - Set up a checking & savings account (link the accounts)
  - Look into: credit unions, CapitalOne360 (ING Direct)
  - Look for low fees, low minimum balance requirements, convenient ATMs (with no fees)

- **On your first day of work:**
  - Sign up for direct deposit
  - Sign up for 401k contributions
  - Deposit at least 5% of check directly to savings/investment account

- **Set up auto-withdrawals or auto-bill pay for everything you can (e.g., utility bills, cable, phone, credit cards, rent, etc.).**

- **STILL REVIEW BILLS!**
  - Unexpected expenses
  - Hidden identity theft
  - Lagging, forgotten expenses
Savings: Three Buckets

• Emergency Fund
  – To cover your basic expenditures for 6–12 mos.
  – Keep in a “liquid” form (e.g., CDs, money market funds, savings account)
  – Usually forgotten, but can be a lifesaver

• Special/Luxury Expenditure
  – House down payment
  – Travel

• Retirement
  – Diversified portfolio: stocks, bonds & other assets
  – Don’t keep it all in the company you work for.
Savings: Liquidity and Risk

- Savings accounts:
  - low risk, highly liquid, very low interest
- CD’s
  - 3 mos.-5 years
  - Penalty for early withdrawal
- Money market mutual funds
- Stock or bond mutual funds
  - Index fund (my choice for initial investments – low fees!)
- Individual stocks: highest risk, less liquid
- Property (house, art, boat, land, etc.) is not liquid
Saving for Retirement

- Social Security benefits are not enough

- There’s a HUGE financial advantage to saving for retirement early.

- Contributions that start compounding now beat most things you can do later – Magic of compound interest

- Beware of over investing a lot in company stock (risky)
SURE, 2% INTEREST MAY NOT SEEM LIKE A LOT.

BUT IT'S COMPOUND!
Retirement Savings Options

• **401(k)/403(b)**
  – Employer creates the account
  – You defer part of your pay each pay period
  – The employer matches some of what you defer
  – **Max out employer match no matter how much it hurts**
    • It is free money!
  – Pre-tax (and sometimes post-tax) contributions options
  – Pre-tax defers taxes to when you retire.

• **Individual Retirement Arrangement (IRA)**
  – You open this account
  – You deposit money in it up to a yearly limit
  – Two forms: Roth (post-tax), Regular (pre-tax or post-tax)

• **Best strategy for now:**
  – Load 401(k)/403(b) first (to get employer $$), then IRA
  – If you qualify, contribute to a Roth IRA
Survey Says:

• “The (Wells Fargo) survey polled just over 1,000 people between the ages of 25 to 75 with an annual household income ranges from $25,000 to $99,000.

• …

• … half of all the non-retirees in this study are not confident that they have enough to live the life they want in retirement. This lack of confidence jumped up to 71% for people in their 50s. The group's median amount saved for retirement was $20,000. That's far below of the minimum benchmark of $500,000 I found happy retirees typically have.

• …

• 41% of the people in their 50s, the peak years for saving for retirement, said they saved absolutely nothing.”

-USA Today, January 10, 2015
Credit Cards & Debt

• Convenient, but...credit card debt can kill your finances
  – Pay off your card every month automatically
  – Spending challenged?
    • Request lower credit limit from bank

• You need one or two cards MAX
  – A backup when one gets lost or stolen
  – Avoid individual store credit cards (not worth the risk)
Which Credit Card?

- **Flexibility**
  - Visa and MasterCard are universal compared to Discover and American Express

- **No annual fee**

- **Cash back?**
  - Compare to the fees and do the math to see if make sense!

- **Rewards?**
  - OK, but secondary to flexibility and no annual fee.

- **APR (interest per month of what you don’t pay)**
  - You can ignore if you pay off the card every month – and do it automatically!
  - Do not do cash advances (25% interest rate).

- **Recommenders**
Smart Spending: Transportation

• Alternatives to cars – use public transit & ZIP cars

• Cars are expensive:
  – Payments OR maintenance – ~ $250+/month
  – Gasoline – ~$120-$200/month
  – Insurance – $100-200/month (depends on lots.)
  – Excise Taxes (function of value of car)

• If you absolutely need a car:
  – Buy used
  – Join AAA (you’ll need a tow or a jump)
  – Get good insurance coverage (amica.com)
  – Don’t skimp on maintenance
Credit Cards & Debt

Check your credit report annually

– Protect yourself against identity theft
– Info on the FTC Website www.consumer.ftc.gov/articles/0155-free-credit-reports
– Annualcreditreport.com or
– 1.877.322.8228 (Annual Credit Report Request Service)
– BEWARE OF IMPOSTER SITES
For now…rent rather than buy
– Renting gives you more flexibility & mobility
– Owning a house can be a pain in the …
– Might need to live in a house for years to break even
– Buy renters’ insurance (it’s really cheap)

And share with a roommate(s)

If you’re living with parents or other family
– Pay them rent, or
– Put equivalent into a savings account

Watch the cell phone & cable bills
Smart Spending: Food

• Learn to Cook!
  – Cooperative cooking
  – Potluck meals & parties
  – Buying in appropriate quantities

• Plan ahead for grocery shopping trips
  – Costco, Sams, …

• Trouble staying disciplined? Give yourself a weekly cash budget for food

• Watch the lattes & alcohol, they add up!
Be A Smart Consumer

• Subscribe to *Consumer Reports*
  – You may not agree with all their ratings
  – But you’ll be saved from buying a car with maintenance problems or a bad TV set

• The Wirecutter – Tech stuff

• Check Before You Buy or Hire
  – Plumbers, car repair, …
  – Ask friends, colleagues at work for recommendations
  – Check out sites like Yelp.com, Angie’s List
XKCD on Online Reviews

Shopping Before Online Reviews:
This lamp is pretty.
And affordable.
Let's get it. OK!

Shopping Now:
This lamp is pretty.
It's got 1½ stars on Amazon. Reviews all say to avoid that brand.

This one has good reviews.
Wait, one guy says when he plugged it in, he got a metallic taste in his mouth and his cats went deaf.

Ok, I found a Swiss lampmaker with perfect reviews. Her lamps start at 1,300 francs and she's only reachable by ski lift.

You know, our room looks fine in the dark.
Making a Budget

• List all of your sources of income (easy)
  – Pay from your job
  – Interest from investments, trust fund
  – Allowance from parents
  – Do not include periodic gifts

• List all of your monthly expenses (hard!)
  – Taxes, …
  – 50% of take home for essential needs (rent, loans, …)
  – 20% for saving and emergencies
  – 30% for wants.
Recurring Monthly Expenses

- Taxes 30%
  - Federal and State Income Tax
  - FICA (your share – social security)
- School loans 8%
- Savings 10%
- Housing and Utilities 30%
  - Rent
  - Gas and electric
  - Internet/TV
  - Cell phone
- Car: 10%
  - Car payments
  - Insurance
  - Gas
  - Maintenance
- Food 10%
- Medical coverage (your contribution) 5%
- Medicine and cosmetics 5%
- Entertainment 10%
- Vacation 5%
- 10% for unforeseen expenses 10%

- Keep a log over a week…
- Try Mint.com
• CapitalOne360: [home.capitalone360.com](home.capitalone360.com) (linked savings acc’ts; also offers checking acc’ts)
• Stock/bond/money market mutual funds:
  – [Morningstar.com](Morningstar.com) (ratings of funds)
• Learning about personal finance:
  – Marketplace Money (on NPR stations)
  – Marketplace Website (somewhat simple, but solid)
• FILL IN YOUR UM ID# - BUBBLES AND TEXT

• USE #2 PENCIL