

**The  
Financial  
Banana Split**

**Financial Literacy From High School To Retirement**

**Bruce A. Rowland, LNHA**

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# 1

## Book's Purpose and Goal

**T**his book's *PURPOSE*: To Put you in control of your financial life.

This book's *GOAL*: To help you achieve the American Dream!

The American Dream is owning your own home – mortgage free – and having enough income from investments to retire- at whatever age. Not work your entire life just to pay bills.

With smart money management and avoiding bad financial decisions - all explained simply in this book – even a modest, steady income can lead to the creation of great wealth over time.

Most people believe these financial fairy tales about themselves:

1. I'm not **lucky** enough to accumulate wealth.
2. I'm not **smart** enough to accumulate wealth.
3. I'm not **talented** enough to accumulate wealth.
4. I don't know where to **begin** to accumulate wealth.

**NONSENSE!!** Here's the truth about why **you are able** to accumulate wealth:

1. You're **lucky** enough because now you possess the proper tool – this book.

2. You're **smart** enough if you read 10th grade-level books.
3. You're **talented** enough if you follow the material in this book.
4. You **begin** your financial journey with this book.

*If you don't know how to control your money, those who do know how to control money (people and entities), will eventually control YOU!*

## How To Use This Book

1. Read, review and understand the material in this book.
2. Use this book as a reference. Refer to it before you make major financial decisions such as home, car or stock purchases and any of the other many financial subjects covered herein.

## Additional Learning Experiences

Our website: [www.financialbananasplit.com](http://www.financialbananasplit.com) contains three more areas to help you on your financial journey:

1. ***Gain Money Self-Awareness*** Emotions and money don't mix! Understanding and empowering your emotional relationship with money to be positive and logical helps you avoid making bad money decisions. This website section tells you how.
2. ***Collaborate For Wealth Building*** You don't have to go on your financial journey alone! Many others are at the same stage financially. Done smartly, you can achieve the American Dream sooner with a little help from your friends / investment partners. This website section tells you how.
3. ***Our easy-to-play board game: Ice Cream and Money – For Everybody!*** reinforces The Financial Banana Split book. *Buy it – Play it – Learn it – Earn it.* Buy it on our website.



## 2

# Ice Cream Makes Me Happy

**A**t the moment you sink your mouth into a sweet, creamy, scoop of ice cream . . . your eyes close, and your nostrils widen as you deeply inhale the sweetened air below. Your mind drifts into the soft cloud of a happy daydream.

It can be a simple vanilla soft serve enjoyed outside a drive-up window on a hot summer day or a complex scoop of bourbon-infused banana ice cream with dark chocolate ribbons, flecked with pieces of honey-glazed toasted almonds, eaten in front of a roaring fireplace on a dark and stormy night.

These words easily transport us to a positive, comfortable place because the language of ice cream is familiar and understood – not the least bit frightening.

This book's goal is to make your relationship with money positive, comfortable, familiar, and understood – not the least bit frightening.

This will enable you to more strongly pursue the American Dream:

Home Ownership and Financial Security



# **ACHIEVE FINANCIAL LITERACY**

**Definition:**

**Financial Literacy is the ability  
to understand and use financial tools.**



## 1

# Ingredient One: Cash Flow and Banking

**C**ash Flow and Banking are the dish in the banana split. It's the part of your financial plan that has to be solid, no leaks.

*Being aware of and actively managing your cash flow is the difference between controlling your money or your money controlling you . . . period.*

How much you spend on credit cards, entertainment, food, clothes, or telephone and how much you're able to save need to be informed choices because they tie-in directly to your cash flow.

Credit and debt are so impactful to your financial health that they're covered separately in Ingredient Three: Loans, Credit, and Debt.

A budget helps you make informed choices because you'll realize how much available cash you have to spend each month before overspending into debt – explained below.

A friend recently asked me: "How does someone blow through a million dollars without realizing it and end up broke?" My answer:

## YOUR MONTHLY BUDGET

BUDGET EXPENSES	COLUMN 1	COLUMN 2	
Rent or Mtg + Prop. tax	\$ ___	Insurance	\$ ___
Utilities	\$ ___	Clothes/shoes	\$ ___
TV/internet	\$ ___	Education	\$ ___
Phone	\$ ___	Student loan expense	\$ ___
Car expenses:		Loans: other	\$ ___
gas/ins/pkg/maint.	\$ ___	Dry-cleaning	\$ ___
Salon: hair care/nails, etc.	\$ ___	Cosmetics/skin care	\$ ___
Pharmacy	\$ ___	Health insurance	\$ ___
Entertainment	\$ ___	Hobbies/sports	\$ ___
Travel/vacations	\$ ___	Childcare/sitter	\$ ___
Food: groceries/delivery, etc.	\$ ___	Pet care	\$ ___
Kids' allowance/other expenses	\$ ___	Charity	\$ ___
Subscriptions & club dues	\$ ___	Child support	\$ ___
Down-payment: future house	\$ ___	Alimony	\$ ___
Emergency fund: (4 months)	\$ ___	Credit card minimum	\$ ___
Other	\$ ___	Other	\$ ___
Pension/Investments	\$ ___	Other	\$ ___
Annual expenses	\$ ___	Other	\$ ___
<b>COLUMN 1 TOTAL</b>	<b>\$ ___</b>	<b>COLUMN 2 TOTAL</b>	<b>\$ ___</b>

Expenses: Column 1 + Column 2 =

TOTAL BUDGET EXPENSES: \$ \_\_\_\_\_

BUDGET INCOME	COLUMN 1	COLUMN 2	
Net salary(s)/wages	\$ ___	Child support	\$ ___
Bonus/other	\$ ___	Alimony	\$ ___
Cash income (tips, etc.)	\$ ___	Net investment	
Net refunds (tax, etc.)	\$ ___	Income	\$ ___
Net rental income	\$ ___	Odd jobs/hobby	\$ ___
Net other	\$ ___	Other	\$ ___
		Other	\$ ___
<b>COLUMN 1 TOTAL</b>	<b>\$ ___</b>	<b>COLUMN 2 TOTAL</b>	<b>\$ ___</b>

Income: Column 1 + Column 2 =

TOTAL BUDGET INCOME: \$ \_\_\_\_\_

TOTAL BUDGET INCOME minus

TOTAL BUDGET EXPENSE =

YOUR MONTHLY BUDGET NET AMOUNT (+/-): \$ \_\_\_\_\_



Whatever your monthly budget net amount is, you can increase your surplus or decrease your deficit (so it becomes a surplus) by conducting a basic review of your expenses. Decide which are needs (necessities) and which are wants (desires). Be smart – trade several wants for savings.

*The most powerful way to cut costs  
is to plan your purchases.*

## **Monthly Budget Transfers**

Surplus money should first go into your Emergency Fund (4-months living expenses). Then into your home as a Down-payment Fund or early mortgage payoff. Then into your pension. Then into your non-pension investments.

The easiest way to do this is to implement automatic deductions from your checking account monthly or from every paycheck.

Example: If your take-home pay is \$800 dollars every two weeks, have your employer deduct \$112 (\$8 per day x 14 days) and automatically deposit it into your savings account. Or instruct your bank to transfer twice this amount monthly from your checking account into your savings account. Then transfer into appropriate account.

It's "out of sight, out of mind," and there are no weekly/monthly decisions to be made about whether or not, or how much, to deduct. It keeps these monies out of easy "spending cash" reach. You'll adjust your lifestyle to accommodate to this automatically (Automatic deductions are detailed later in Ingredient Five: Investing).

An alternative to a bank is a program offered by the Social Security Administration, part of the federal government. Their free program invests your money in United States Treasury bonds, considered one of the world's safest investments. You can withdraw your money at

## **How To Open A Bank Account**

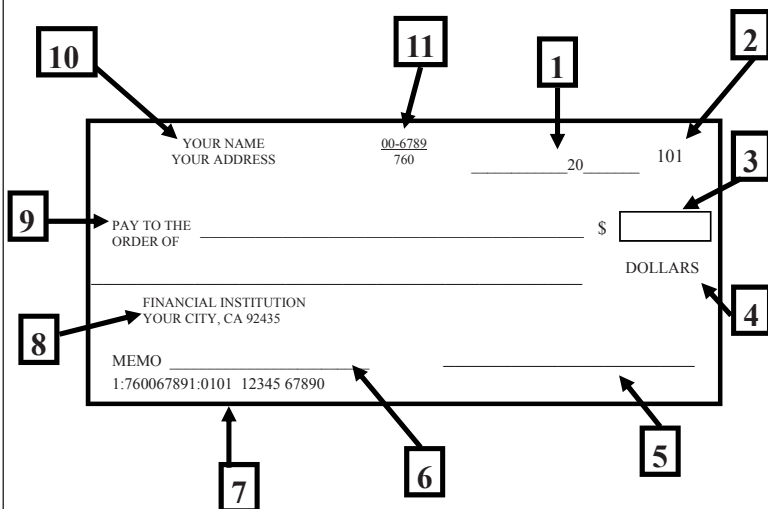
1. Visit a bank in-person or on-line: [www.Bankrate.com/banking](http://www.Bankrate.com/banking).
2. Documents you will need for each person applying include:
  - a) Valid government-issued identification: passport/driver's license, etc.
  - b) Social Security card, Trust Account tax ID/ or other Valid Federal tax ID #.
  - c) Proof of current address: driver's license, utility bill, property tax bill, etc.
3. Complete + sign the bank's application. If under 18, parent/guardian needed.
4. Applying may not require funds. Opening the account will. Minimums vary.

## **Balancing Your Checkbook**

1. What it is: Comparing your financial records to the bank's records for your checking account. And verifying both ending balances match.
2. Why do it? To see your current available balance, catch bank and merchant errors and identify fraud-the earlier the better.
3. When to do it: Once-a-month. Monthly = less work and better accuracy.
4. Do I need to do it if I only bank on-line? Yes – for the reasons above.
5. How to balance your checkbook (Illustrations pages 24-36):
  - a) Record all transactions in your checkbook register or on-line spending tracker whenever you make a payment with a check, debit card, electronic transfer, bank withdrawal or deposit slip

## Checks

Review the following components of a check and proper check writing procedures with teens:



1. **Date:** A check must include the date that it is written
2. **The check number** is used to record and track each check and its amount
3. **\$:** The amount of the check written in numbers
4. **Dollars:** The amount of the check written in words
5. **Signature Line:** A check is valid only if it's signed
6. **Memo:** An area to note what the check was for
7. **Computer routing numbers:** The bank and state routing numbers and account number written in magnetic ink that can be read by a computer
8. **Bank name and branch** that handles the account
9. **Pay to the Order of:** The name of the person or company the check is for
10. **Name and address of account holder**
11. **Routing numbers:** The top numbers are a code for the state in which the bank is located. The bottom numbers name the regional Federal Reserve Bank that will handle the check

## **Disputing Incorrect Billing Statements**

1. Assemble and review all related documents (paper/computer) to find all information related to the issue: billing statement, bank and credit card statement, invoice, cancelled check, contract, etc. Find your account number.
2. Compare incorrectly billed amount to your assembled documentation.
3. Write down the discrepancy: correct vs incorrect amount and on which documents this information appears.
4. Contact the seller by phone, e-mail or a written(certified) letter and explain the error and your findings.
5. a) Seller proves there was no mistake – you agree – okay – end.  
b) Seller understands and agrees and promises to correct: ask how/when.  
c) No seller response or you're not satisfied with explanation:
  1. Ask to speak with a supervisor. Still unacceptable?
  2. Contact Federal/state consumer protection agencies per Consumer Protection Laws- Finance, below.

## **Consumer Protection Laws – Finance**

The purpose of consumer protection finance laws is to prevent harm to consumers (the general public) caused by predatory business practices including: mortgages, credit cards, car loans, personal loans, debt collection, housing discrimination, student loans, fraud reporting, securities investment fraud, privacy of personal financial information, telemarketing, identity theft, credit reports, scams, deceptive pricing practices, deceptive advertising, etc. Your best protection is full disclosure of all terms and conditions, clearly stated.



## 2

# Ingredient Two: Home Ownership

**H**ome Ownership is the banana in the banana split. It's the foundation of a banana split and the foundation of the American Dream.

### **Purpose of This Book**

The purpose of this book, as I've mentioned, is to enable you to achieve the American Dream, which includes home ownership.

Goal: Rewrite your STORY . . . and unlock your DESTINY.

### **Your Story**

Your story (or that of your child/grandchild) may include one or more of these truths:

- You can't afford a home with your current job.
- You're burdened with student debt.
- You'll never have the financial flexibility to retire.

and income than you thought possible. This puts increasing home values in your favor.

## **Home Ownership - Quick Overview**

A primary purpose of this book is to for you to become a home-owner able to pay off your mortgage sooner than later.

A mortgage is the type of loan used when buying a home.

“Home” refers to the real estate you own and reside in regardless of type: house, condominium, co-op, townhouse, etc.

Home ownership lets you progress from having dreams to making plans, because it stops you from being victimized by ever-increasing rents.

A fixed-rate mortgage on your home (the interest rate never changes) can even decrease if you refinance when interest rates decline (detailed later in this Ingredient).

After you pay off your mortgage your housing costs decline dramatically because you no longer have monthly mortgage payments. Owning becomes much cheaper than renting.

Owning your own home, mortgage free, is primary financial security because it makes cash flow available to invest towards wealth accumulation (detailed in Ingredient Five: Investing).

On the path towards owning your own home you'll be able to accomplish other important financial goals too:

1. Increase Your Wealth – Home values historically increase over time. Your home ownership percentage also increases as you pay down your mortgage principal every month.
2. Save for Retirement – Cash saved by not paying rent and put to work in pensions and other investments can grow by themselves (see Ingredient Five: Investing).

## **Rent-to-Own**

Rent-to-own is a structure where part of your rent money is allocated by your landlord towards the purchase of the house. You need to be aware of price relative to comparable homes in the neighborhood, fees, penalties, percentage of your rent allocated to ownership, mortgage interest rate, duration of this process, and proof landlord owns the house (deed/county records).

## **6. Location**

The famous question in real estate is: What are the three most important factors in real estate? Answer: Location, location, location. The “real” in real estate is land ownership. Land is generally the biggest variable in your home’s price.

The same house in San Francisco, California, or Wichita, Kansas, will sell for very different prices. Location also determines your home’s future value. Besides a luxury location, the next best thing is a house with great future price appreciation due to urban renewal by government or “gentrification” – Older housing being replaced with more expensive housing. Upscale businesses moving in: high-end coffee shops, natural grocery stores. New sidewalks (cobblestone), streetlights.

Check your county clerk’s office, local real estate agencies, and [www.FinancialBananaSplit.com](http://www.FinancialBananaSplit.com) for the area’s recent price appreciation, proposed development, etc.

Location also factors into the “livability” – quality of life – aspects of your house, such as distance, ease, and cost of travel to work, schools, hospitals, transportation, recreation, shopping, places of worship, air quality, noise, etc.

A must do for anyone considering buying a home is to take a walk around the neighborhood six blocks in every direction from



### 3

## **Ingredient Three: Loans, Credit, and Debt**

**L**oans, credit, and debt are the ice cream in the banana split. Ways to use money are as numerous as ice cream flavors.

*“Beware of little expenses, a small leak will sink a great ship.”*

(Benjamin Franklin, American statesman, 18th century)

If your credit charges are never fully paid off, they can grow into unmanageable, life-wrecking debt as interest and penalties accumulate.

Avoid this scenario. Use loans, credit, and debt to your financial advantage by understanding what they are, how they work, and how to best manage them. Student loans are a huge issue to many. I explain how to pay off much of this debt using the equity in your home later in the book.

### **Loan Basics - Definitions**

One of the best ways to keep debt under control is to understand how your loan works. This includes credit card debt and how much it actually costs to repay the money you’ve borrowed.



Definitions of loan terms and documents are explained below:

**Credit:** Amount of money you're qualified to borrow and that requires repayment.

**Debt:** Amount of money you've borrowed and requires repayment. Credit turns into debt as soon as it's used.

**Creditor:** A lender you owe money to such as a bank, credit card company, etc.

**Principal:** Amount borrowed equal to the purchase price of the item bought.

**Interest:** Amounts paid by you to the lender for the use of their money, usually expressed as a percentage (%) of the principal (amount borrowed).

**Installment Loan:** Payments due monthly, etc. (Mtg/auto).

Lender uses one of two methods for interest expense:

1. **Simple interest:** Interest charged only on a loan's outstanding principal balance.
2. **Compound interest:** Interest charged on a loan's outstanding principal balance plus interest charged on the loan's outstanding interest. Compounding can be daily/ monthly/quarterly/ annually. The loan states the frequency.

Compound interest is more expensive than simple interest.

The cost difference between simple and compound interest loans is illustrated as follows:

Example: Loan amount: \$30,000/stated interest rate: 6%/ loan duration: 20 years. Simple interest loan – Total interest cost: \$21,583  
Compound interest loan – Total interest cost: \$28,002.

The compound interest loan costs \$6,419 more over the life of the loan than the simple interest loan even though both loans have the same stated interest rate and duration.

## Your Credit Score: FICO

Your credit rating is based on your “FICO” score, a number from 300 to 850. As a direct result of your FICO score your cost to finance (borrow money) can vary greatly.

Example: A \$20,000 car loan for 48 months using different credit scores and their costs is illustrated below:

FICO Score	Credit Rating	Interest Rate	Monthly Payment	Interest Expense	Total Cost
720–850	Excellent	3%	\$442.69	\$1248.95	\$21,248.95
690–719	Great	4%	\$451.56	\$1675.89	\$21,675.89
670–689	Very Good	5%	\$460.59	\$2108.17	\$22,108.12
650–669	Good	7%	\$478.92	\$2988.39	\$22,988.12
630–649	Fair	10%	\$507.25	\$4348.08	\$24,348.08
610–629	Poor	12%	\$526.68	\$5280.48	\$25,280.48
580–609	Very Poor	15%	\$556.61	\$6717.52	\$26,717.52

The difference in the cost of the car between an “Excellent” and a “Very Poor” credit rating is over five thousand dollars.

Your credit rating affects interest rates and your ability to qualify for a mortgage or credit cards and might even have a negative impact on your ability to rent housing or secure employment.

Check your credit rating for free: [www.creditKarma.com](http://www.creditKarma.com).

## What Affects Your FICO Score and By How Much

1. Payment history (35%): Missed, late and non-payments.
2. Amounts owed (30%): % of available credit used total / per card >30%.
3. Credit history length (15%): How long you have had credit.

## **Student Loans/Home Equity Loan**

I advocate home ownership because “free cash” (due to your home increasing in value) can ease debt burden as follows:

- The average student loan balance is \$30,000.
- The average interest rate on this debt is 6.8%.
- The current interest rate on a home equity loan is 4.75% – much less than the student loan rate.

If your home is worth more today than when you purchased it, that value difference can be used as loan collateral to obtain a home equity loan – a second mortgage on your home. Note: Defaulting can cause home loss due to foreclosure.

If you use home equity proceeds to pay off student debt, you'll be able to:

1. Pay back the home equity loan in less time because the same amount of money pays more debt due to its lower interest rate.
2. Pay back the home equity loan for much less interest expense than the student loan due to its lower interest rate.

Example: Student loan \$30,000/interest rate 6.8% for 20 years. Monthly payment \$229. Total interest expense = \$24,960. Home equity loan \$30,000/interest rate 4.75% for 20 years. Monthly payment \$192. Total interest expense = \$16,134.

The difference in interest costs of \$8,826 between these two types of loans is huge! Total payback amounts: student loan \$54,960 vs. home equity loan \$46,134. Why pay more for the same thing?

It pays to get and stay on the path to the American Dream. In other words: Get ye into home ownership.

If you can't take advantage of a home equity loan to pay off your student loan, consider other options and ask your lender about



## 4

# Ingredient Four: Avoiding Financial Landmines

**A**voiding Financial Landmines are the banana split toppings, covering other Ingredients and affecting their overall flavor.

Certain basics need to be included in your financial planning to avoid paying unforeseen legal costs, fees, penalties, prison, etc.

Protect your money by following the guidelines outlined below for income taxes, contracts, insurance, dealing with documents, and estate planning.

## Income Taxes

*“In this world nothing is certain except death and taxes.”*

(Benjamin Franklin, American statesman, 1789)

Income taxes are the only taxes you’ve got to actively compute every year. Once done, you’ll pay either less in taxes or receive a bigger refund for taxes paid than if you hadn’t made the effort. Ignoring this can result in property seizure, bankruptcy, bad credit, and even prison for fraud.

### **Example Illustrating Tax Savings Having and Using Tax Deductions**

#### **No Deductions =**

#### **Higher Tax Liability**

Gross Income: \$55,000  
Less Standard Deduction: \$12,950  
Adjusted Gross Income: \$42,250  
Rate for this tax bracket: 22%  
Total 1040 Tax Liability: **\$9,295**

#### **Deductions = Lower Tax Liability**

Gross Income: \$55,000  
Less Standard Deduction: \$12,950  
Less Pension Contribution: \$5,000  
Less Student Loan Interest: \$3,000  
Adjusted Gross Income: \$35,950  
Rate for this tax bracket: 12%  
Total 1040 Tax Liability: **\$4,314**

Above, having and using tax deductions saved \$4,981 in taxes owed. This almost equaled the entire \$5,000 pension contribution! Deductions are calculated and inputted onto the appropriate IRS schedule and filed with your 1040. Most-used 1040 schedules include: Schedule A: Itemized deductions / B: Interest and ordinary dividends/ C: Profit/loss from business / D: Capital gains and losses / R: Credit for elderly or disabled, etc.

You can file your 1040 – along with your state income tax return if required in your state-1. By mail (slowest processing) 2. E-file on-line 3. Use tax preparation software. Do the work yourself or pay a tax preparer. Refunds are slowest by mail, faster by e-filing. Free govt. assistance: [irs.gov](http://irs.gov) > Help > File a Return / Tele# (800) 829 – 1040.

See the Maintaining Documents section below for which documents to keep for what time period to support tax filing. Federal govt. can audit you for three years after filing a tax return - forever if fraud.

### **Filing your Annual State Income Tax Return**

Most states charge income tax on resident's wages/salary/investment/ interest income. In these states residents must file a state

# The Financial Banana Split

<b>FORM 1040</b> <small>Department of the Treasury—Internal Revenue Service (99)</small>	<b>U.S. Individual Income Tax Return</b>	<b>2021</b>	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
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**Filing Status**  Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)

Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no.

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code

Foreign country name Foreign province/state/county Foreign postal code

**Presidential Election Campaign**  
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  
 You  Spouse

At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency?  Yes  No

**Standard Deduction** **Someone can claim:**  You as a dependent  Your spouse as a dependent  
 Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** You:  Were born before January 2, 1957  Are blind **Spouse:**  Was born before January 2, 1957  Is blind

Dependents (see instructions):	(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	Child tax credit	Credit for other dependents
If more than four dependents, see instructions and check here ▶ <input type="checkbox"/>						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>

Attach Sch. B if required.	<b>1</b> Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .				<b>1</b>
<b>Standard Deduction for—</b> • Single or Married filing separately, \$12,550 • Married filing jointly or Qualifying widow(er), \$25,100 • Head of household, \$18,800 • If you checked any box under Standard Deduction, see instructions.	<b>2a</b> Tax-exempt interest . . . . .	<b>2a</b>	<b>b</b> Taxable interest . . . . .	<b>2b</b>	
	<b>3a</b> Qualified dividends . . . . .	<b>3a</b>	<b>b</b> Ordinary dividends . . . . .	<b>3b</b>	
	<b>4a</b> IRA distributions . . . . .	<b>4a</b>	<b>b</b> Taxable amount . . . . .	<b>4b</b>	
	<b>5a</b> Pensions and annuities . . . . .	<b>5a</b>	<b>b</b> Taxable amount . . . . .	<b>5b</b>	
	<b>6a</b> Social security benefits . . . . .	<b>6a</b>	<b>b</b> Taxable amount . . . . .	<b>6b</b>	
	<b>7</b> Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . . ▶ <input type="checkbox"/>				<b>7</b>
<b>8</b> Other income from Schedule 1, line 10 . . . . .				<b>8</b>	
<b>9</b> Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> . . . . . ▶				<b>9</b>	
<b>10</b> Adjustments to income from Schedule 1, line 26 . . . . .				<b>10</b>	
<b>11</b> Subtract line 10 from line 9. This is your <b>adjusted gross income</b> . . . . . ▶				<b>11</b>	
<b>12a</b> <b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .		<b>12a</b>			
<b>b</b> Charitable contributions if you take the standard deduction (see instructions)		<b>12b</b>			
<b>c</b> Add lines 12a and 12b . . . . .				<b>12c</b>	
<b>13</b> Qualified business income deduction from Form 8995 or Form 8995-A . . . . .				<b>13</b>	
<b>14</b> Add lines 12c and 13 . . . . .				<b>14</b>	
<b>15</b> <b>Taxable income.</b> Subtract line 14 from line 11. If zero or less, enter -0- . . . . .				<b>15</b>	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B **Form 1040** (2021)

In other words, she wasn't the problem; the salesperson was. If he couldn't explain something in terms that were understandable to her, he was the one who was ignorant. You do the same. If you can't repeat to the salesperson exactly what the product or service is they're selling, don't sign the contract.

### **Examples: A Contract and Personal Loan Application**

#### **THE SIMPLE CONTRACT LAWN COMPANY**

This Contract is entered into this \_\_\_\_\_ day of \_\_\_\_\_ by and between: \_\_\_\_\_ (COMPANY), and \_\_\_\_\_ (CLIENT).

The term of this agreement shall be for one year beginning on \_\_\_\_\_ and ending on \_\_\_\_\_.

The specific terms of this Contract are as follows:

1. The company shall provide lawn care services on a year-round basis to client at their residential address.
2. Said services shall include once-per-week lawn mowing and bush trimming to the outside area including haul-away of all trimmings and debris per service.
3. Total annual price for this service shall be \_\_\_\_\_ dollars, payable in equal monthly installments of \_\_\_\_\_ dollars per month.
4. Additional services as requested by client shall be billed separately.



## 5

# Ingredient Five: Investing for Wealth and Early Retirement

**I**nvesting is the whipped cream in the banana split. It can grow tall if applied correctly. Fund it after paying all other items in your Monthly Budget.

### **Hierarchy of Money Flow**

(Where to target your money)

1. Your Home – mortgage payoff or saving for a first home.  
(After you've fully funded your Emergency Fund and continue to fund your other Monthly Budget items).
2. Retirement – pension investments.
3. Retirement – non-pension investments.
4. Non-Retirement – monies you can afford to lose (Funny bone).

Implementing automatic deductions for the first three targets increases the probability you'll achieve financial success because, if



you don't have the cash to spend, you won't spend it. It's basic "out of sight, out of mind" psychology. It works!

## **First Target Area - Your Home**

The first target to aim your money at is your home or saving for your first home (collaborative or sole ownership) because a fully paid-for home is the foundation of the American Dream.

Your home is also your initial and primary investment because home price appreciation is a fundamental component of wealth creation (Ingredient Two).

All your basic costs of home ownership – principal + interest + taxes + insurance (PITI) – must be fully paid for every month to avoid foreclosure. If you're saving for a home, fund the two future home items in your monthly budget and add these to your savings account.

This is done before funding investments and pension(s) unless your employer matches pension contributions (see below).

## **Second Target Area - Pension(s)**

The second target to aim your money at is your pension plan. This money grows tax free, or tax deferred, stimulating growth. Matching funds from your employer (if offered) is effectively free money (see pension details below).

## **Third Target Area - Investments**

The third target to aim your money at is your non-pension investments. Income and gains generated are taxable when earned, but choosing solid investments and then reinvesting earnings back into these investments supercharges financial growth.

- A SEP plan is for self-employed persons.
- There are pension rules regarding loans, early withdrawals, allowable pension investments, etc.

Pension information: [www.FinancialBananaSplit.com](http://www.FinancialBananaSplit.com)

## **Retirement and Pension Quotes**

- “There’s one thing I always wanted to do before I quit . . . retire!” (Groucho Marx, comedian)
- “I’m retired. Goodbye tension, hello pension!” (Anonymous)

## **II. a) Securities Primer: Stocks, Bonds, Mutual Funds, Etc.**

- 1. Securities:** Certificates of value – stock or bond - issued by an entity (company or government) denoting ownership in its assets (stock) or as a holder of its debt (bond). They are investment instruments. They fluctuate in value. Can be bought and sold.
- 2. A Share of Stock:** A certificate of value issued by a company denoting the holder has an ownership interest in the company. It is an investment security. A stock may or may not be a dividend (cash) paying type. They fluctuate in value.
- 3. Common Stock:** General class of stock issued by a company. Includes company voting rights.
- 4. Preferred Stock:** A stock with a fixed dividend. No company voting rights. Its dividends get paid before common stock dividends.
- 5. Bonds:** A debt certificate issued by a company or government. They pay interest income. Company issued = fully taxable. Federal govt. issued (Treasuries) = No state tax. State/city/ county issued (Muni) = No federal tax. Quality rated: A-B-C-D. Your interest

Example: You invest \$2,000, which pays an annual dividend of 8%. Then:  $72 \div 8\% = 9$ . It takes nine years for your money to double at an 8% yield with all dividends and interest reinvested.

## Stock “Splits”

Want to achieve the American Dream? Then understand this basic mechanism of how stocks work. A stock “split” is when a company’s stock price has reached a high price and the company splits its stock: It gives its shareholders two (or more) shares of half-valued stock for every one share they own. Split shares historically rise in value.

## Compounding

Want to achieve the American Dream? Then understand and use this time-tested wealth creator. The most powerful element in wealth creation is *TIME*. This is best illustrated by the compounding effect. (Non-pension and non-ETF gains are passed-thru and taxable).

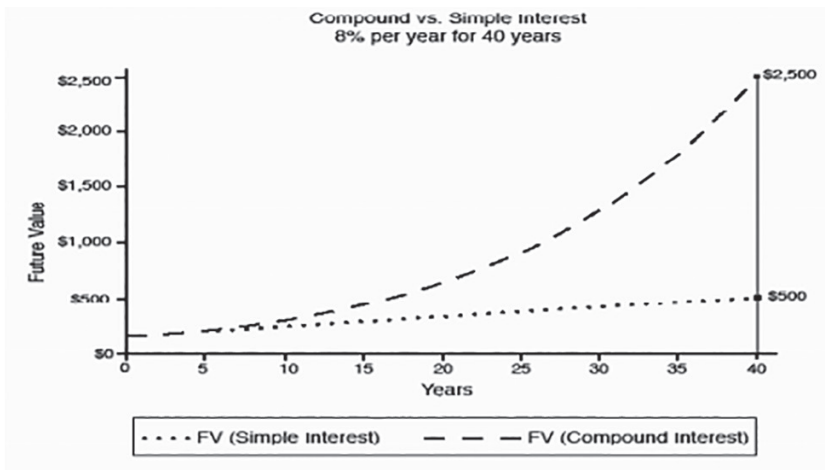
Compounding means growth by reinvesting dividends and interest back into the securities that produced them.

This especially applies to pensions, where income isn’t taxed. Your money grows fast because you’re receiving income on your reinvestment as well as income on your original investment. Simple interest grows money slower. You only receive income on your original investment, not again on the income it generates.

## Equation - Simple vs. Compound Interest

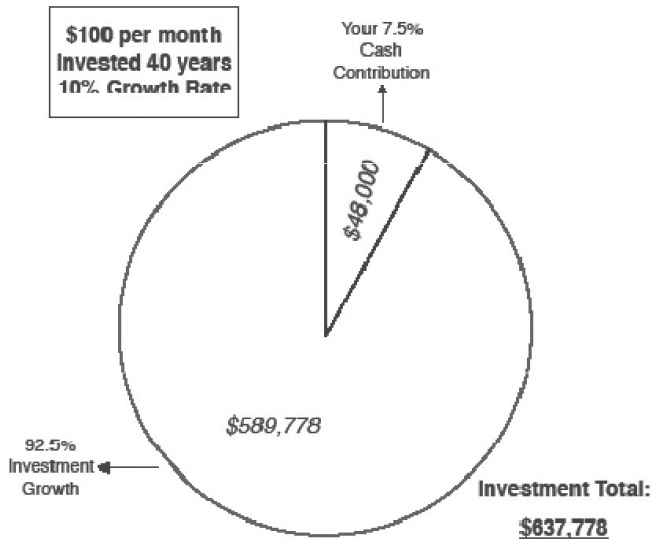
This equation shows compound interest rate growth to be triple that of simple interest rate growth: simple interest:  $3 + 3 + 3 = 9$  vs. compound interest:  $3 \times 3 \times 3 = 27$ .

A compound vs. simple interest rate graph is illustrated below:



As you can see, compound interest produced a result 500% greater (\$500 vs \$2,500) than simple interest.

Here's a pie chart with another way to view compound interest:



This shows \$100 a month (\$3.34 a day) invested for forty years in an S&P 500 index pension fund. This fund has historically

## An Easy-to-Learn Tasty Anagram

I = Interest  
C = Compounding  
E = Everyday  
C = Creates  
R = Real  
E = Easy  
A = Additional  
M = Money

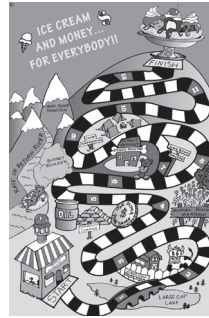


Illustration from the board game  
*Ice Cream and Money ... For Everybody!*

THINK  
I-C-E C-R-E-A-M  
GROW RICH

Go to [www.FinancialBananaSplit.com](http://www.FinancialBananaSplit.com)  
to buy this board game.

## II(c) How to Start Investing A Simple, Time-tested Investment Strategy

The performance standard against which most investments are measured is the S&P 500 (Standard & Poor's). It contains five hundred of the largest companies listed on the NYSE and NASDAQ stock market exchanges. It represents 75% of the US economy.

A basic investment strategy is to buy two low-fee, broad-based market ETF index funds: one for stocks and one for bonds.

## **Should You Hire an Investment Advisor? Pros and Cons**

Want to achieve the American Dream? Here's two **secrets** for successful money management whether you decide to use an investment advisor or not:

1. You must know the basics of financial investing.
2. You must develop a healthy relationship with money.

Why? Because you need to track and understand why your investments are performing the way they are whether you're working with an investment advisor or not.

Knowing this helps you see the bad times with an understanding of why it happened and calculating when it will turn around instead of "why, poor little me," panicking and selling at the low point (been there, done that).

Fortunately, these two secrets for successful money management are explored and explained on our website section: Gain Money Self-Awareness and in this book: Achieve Financial Literacy.

After you've read and understood this book's information, consider these additional points to help you decide if a financial advisor – and which type – is right for you:

- Don't hire a financial advisor to assist you if you only own "set it and forget it" S&P 500 and bond index funds. Just set it up and use a discount broker.
- Most discount brokers now offer low-cost "over the phone" services if you need to consult with a financial broker and "robot" broker services that take into account your risk tolerance and correct for market fluctuations using math algorithms.



## 6

# Ingredient Six: Goodwill and Charity

**G**oodwill and Charity are the cherry on top of the banana split. Its concentrated sweetness gives you purpose and helps direct resources so you feel good about your increasing wealth.

## **Sir Isaac Newton, Money, and Universal Truth**



*“For every action, there is an equal and opposite reaction.”*

*“Everything in the Universe is connected.”*

(Sir Isaac Newton, English scientist, 17th C.)



## Conclusion

I sincerely hope you've found this book informative and will use it to create your own path to prosperity. It's a basic tool to use along the way.

Use it as a reference to evaluate your future financial options and strategies by comparing what's being offered and available to the fundamentals mentioned in these pages.

Do not make financial decisions until you fully understand the risks and rewards involved. Your questions are a powerful tool to help you gain this understanding.

Remember: If you can't explain it to someone in 3 sentences (an elevator pitch) you don't fully understand it yourself.

*Happy reading, learning and achieving the American Dream!*



# The Board Game



BUY IT – PLAY IT – LEARN IT – EARN IT !

[www.FinancialBananaSplit.com](http://www.FinancialBananaSplit.com)



## About The Author



Being raised and having had a successful multi-business career in New York City, the author, his son Adam (A decorated combat veteran), their dog, “Spikey”, along with their 1972 Jaguar E-type, reside in state income-tax free Florida.

Mr. Rowland will continue to explore options for best communicating personal finance matters and related areas, in various formats, for all those who may benefit from a greater understanding in this arena.



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