

# Pathway to Prosperity

By Mark Lazar, CFP®

## Your Guide to Money and Economics

### Volume I—The Basics

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# Chapter 1

## Personal Balance Sheet

Illustration I: [Median](#) and [average](#) net worth for Americans

Age	Median Net Worth	Average Net Worth
Under 35	\$11,100	\$76,200
35-44	\$59,800	\$288,700
45-54	\$124,200	\$727,500
55-64	\$187,300	\$1,167,400

[Federal Reserve](#)

Illustration II: Hypothetical [balance sheet](#)-Smiths and Jones

Balance Sheet #1: The Smiths			
Assets	Amount	Liabilities	Amount
Home	\$250,000	Mortgage	(\$150,000)
Cars	\$25,000	Mortgage	(\$350,000)
Personal belongings	\$25,000	<b>Total</b>	<b>(\$500,000)</b>
Dividend stocks	\$300,000		
Bond portfolio	\$200,000		
Rental property	\$600,000		
Promissory note @ 7%	\$100,000		
<b>Total</b>	<b>\$1,500,000</b>	<b>Net Worth</b>	<b>\$1,000,000</b>
Balance Sheet #2: The Jones			
Assets	Amount	Liabilities	Amount
Home	\$1,000,000	Mortgage	(\$250,000)
Cars	\$100,000	Car loans	(\$90,000)
Ski boat	\$80,000	Boat loan	(\$70,000)
Motor home	\$75,000	RV loan	(\$60,000)
Snowmobiles	\$15,000	2nd RV loan	(\$10,000)
Time share	\$20,000	Credit cards	(\$20,000)
Personal belongings	\$210,000	<b>Total</b>	<b>(\$500,000)</b>
<b>Total</b>	<b>\$1,500,000</b>	<b>Net Worth</b>	<b>\$1,000,000</b>

**Illustration III:** Cash flow projections-Smiths and Jones

<b>Cash Flow Projection #1: The Smiths</b>			
<b>Position</b>	<b>Rate</b>	<b>Balance</b>	<b>Amount</b>
Home mortgage	4.50%	(\$150,000)	(\$760)
Dividend stocks	2.00%	\$300,000	\$500
Bond portfolio	4.00%	\$20,000	\$667
Rental property	7.00%	\$600,000	\$3,500
Promissory note @ 7%	7.00%	\$100,000	\$583
Rental mortgage	4.75%	(\$350,000)	(\$1,826)
<b>Totals</b>			<b>\$2,664</b>
<b>Cash Flow Projection #2: The Jones</b>			
<b>Position</b>	<b>Rate</b>	<b>Balance</b>	<b>Amount</b>
Mortgage	4.50%	(\$250,000)	(\$1,267)
Auto loans	6.00%	(\$90,000)	(\$1,740)
Boat loan	6.00%	(\$70,000)	(\$1,353)
RV loan	6.00%	(\$60,000)	(\$1,160)
2nd RV loan	6.00%	(\$10,000)	(\$193)
Credit cards	14.99%	(\$20,000)	(\$449)
Time share	NA	\$0	(\$50)
<b>Totals</b>			<b>(\$6,212)</b>
<b>Total Monthly Cash Flow Difference</b>			<b>\$8,876</b>

Chapter 1 assignment: [Personal balance sheet](#)

## Chapter 2

### Cash Flow

Chapter 2 assignment: [Cash flow worksheet](#)

## Chapter 3

### Budget

Illustration I: Rule of thumb household budget

Rule of Thumb Household Budget	
Savings/retirement	10–20%
Housing	20–30% (mortgage/rent, maintenance, taxes, insurance, etc.)
Debt service	5–10% (the goal is zero)
Car/transportation	10–15% (car payment, insurance, fuel, maintenance, etc.)
Food	11–16%
Entertainment	3–6%
Apparel	3–5%
Health care	5–7%
Miscellaneous	5–10% (insurance, gifts, subscriptions, babysitter, etc.)

All numbers are after-tax except for savings/retirement

Chapter 3 assignment: [Budget worksheet](#)

## Chapter 4

### Credit

Illustration I: Proper use of credit examples

Proper Use of Credit	
Loan type	Criteria
Home	Sensibly priced home, 20% down, and <a href="#">DTI</a> < 30%
Student loan	Positive net present value resulting from education, credentials, or degree
Investment property	Cap rate > (mortgage rate + 2%)
Credit cards	Balance is paid off monthly
HELOC	Consolidate loans with low-rate HELOC, and loan is amortized < 5-years
Car purchase	Low interest financing, and reasonable purchase price
Improper Use of Credit	
Loan type	Criteria
Payday loans	Always
Credit cards	Whenever there is a carried balance and interest is paid
Student loan	Negative net present value of education and future career
Investment property	Cap rate < (mortgage rate + 2%)
Car purchase	New/expensive car, will rapidly depreciate, or there's an opportunity cost
Depreciating items	Interest paid is above the interest earned on savings or checking

## Chapter 7

### Taxes

**Illustration I:** 2021 taxable income brackets and rates

2021 Taxable Income Brackets and Rates			
Rate	Single Filers	Married Joint Filers	Head of Household
10%	\$0 to \$9,950	\$0 to \$19,900	\$0 to \$14,200
12%	\$9,951 to \$40,525	\$19,901 to \$81,050	\$14,201 to \$54,200
22%	\$40,526 to \$86,375	\$81,051 to \$172,750	\$54,201 to \$86,350
24%	\$86,376 to \$164,925	\$172,751 to \$329,850	\$86,351 to \$164,900
32%	\$164,926 to \$209,425	\$329,851 to \$418,850	\$164,901 to \$209,400
35%	\$209,426 to \$523,600	\$418,851 to \$628,300	\$209,401 to \$523,600
37%	Over \$523,600	Over \$628,300	Over \$523,600

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**Illustration II:** 1040 tax return example, married filing jointly

Example: 1040 Return-Married Filing Jointly		
Line	Description	Amount
1	Wages, salaries, tips, etc.	\$125,000
3b	Ordinary dividends	\$1,000
<a href="#">Schedule 1</a>	Rental real estate	(\$8,000)
<b>7b</b>	<b>Total income</b>	<b>\$118,000</b>
Schedule 1	IRA deduction	(\$6,000)
<b>8b</b>	<b>Adjusted gross income</b>	<b>\$112,000</b>
9	Itemized deductions	(\$28,000)
<b>11b</b>	<b>Taxable Income</b>	<b>\$84,000</b>

**Illustration III:** 1040 tax return example continued-total federal tax liability

Married Filing Jointly		
Income	Rate	Amount
\$0 to \$19,900	10.00%	\$1,990
\$19,901 to \$81,050	12.00%	\$7,338
\$81,051 to \$172,750	22.00%	\$649
\$172,751 to \$329,850	24.00%	\$ -
\$329,851 to \$418,850	32.00%	\$ -
\$418,851 to \$628,300	35.00%	\$ -
Over \$628,300	37.00%	\$ -
<b>Total Federal Tax Liability</b>		<b>\$9,977</b>

**Illustration IV:** 1040 U.S. individual income tax return [2019 1040 form](#)

**Illustration V:** 1040 itemized deduction schedules

<b>Schedule A</b>	Itemized Deductions
<b>Schedule B</b>	Interest and Ordinary Dividends
<b>Schedule C</b>	Profit or Loss from Business
<b>Schedule D</b>	Capital Gains and Losses
<b>Schedule E</b>	Supplemental Inc & Loss (real estate, royalties, partnerships, S-Corps, trusts, etc.)

**Illustration VI:** Cost basis illustration

Date	Action	Amount	Cost-Basis
July-01	Purchase	\$100.00	\$100.00
August-01	Dividend	\$1.00	\$101.00
September-01	Dividend	\$1.00	\$102.00
October-01	Dividend	\$1.00	\$103.00
November-01	Dividend	\$1.00	\$104.00
December-01	Dividend	\$1.00	\$105.00
December-15	Capital Gain	\$2.00	\$107.00

**Illustration VII:** 2021 capital gain schedule

LT Rate	Single Filers	Married Filing Jointly	Head of Household
0%	Up to \$40,400	Up to \$80,800	Up to \$54,100
15%	\$40,400-\$445,850	\$80,800-\$501,600	\$54,100-\$473,750
20%	Over \$445,850	Over \$501,600	Over \$473,750
25%	On depreciation and recapture		
28%	On collectibles		
28%	On qualified small business stock after exclusion		

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**Volume I** [Knowledge Check](#)

## About the author



Mark Lazar is a CERTIFIED FINANCIAL PLANNER™ and senior vice president of investments for a national wealth management firm. He has worked in the investment industry for twenty-five years and has been an adjunct professor of finance at the University of Utah's David Eccles School of Business since 2002. Mark earned a Bachelor of Science in finance at the University of Utah and an MBA at the University of Colorado, Colorado Springs.

Born to a blue-collar family, Mark watched his parents' ongoing struggle to make ends meet. After their divorce, Mark lived with his father in a run-down one-bedroom apartment for many years. Rather than discouraging him, hardship instead provided the motivation to do better.

Going to work at age twelve, Mark quickly learned the correlation between effort and reward, and became a millionaire by age forty. He now wants to share the common-sense principles, values, and strategies anyone can learn that will lead to financial success.

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