FINANCE FRIDAYS WITH THE TREASURER

A Financial Literacy Newsletter

Issue 1, April 4, 2025

NC Cash | NC ABLE

In this issue:

Finance Fridays
is a publication of the NC Department of State Treasurer. Treasurer Brad Briner is focused on preserving, protecting and sustaining the state's pension and healthcare plans. Briner was most recently the Co-Chief Investment Officer for Willett Advisors and has held positions at Morgan Creek Capital, the UNC Management Company, ArcLight Capital and Goldman Sachs.

It really began for me around 1986 when a friend of mine asked me on the playground if I would trade him a Blasted Billy for an Adam Bomb.

For those of you who were not children in the 1980s, I suspect you have no idea what a Garbage Pail Kid is, but the closest modern analogy is probably Pokémon cards. Baseball cards in the 1950s and 60s were the same thing… something kids collected and traded regularly. GPKs were the hottest thing to own when I was in 4th grade, mostly because parents and teachers really did not like them…and as a parent now I completely understand why!

Brad's interest in finance started at a young age.

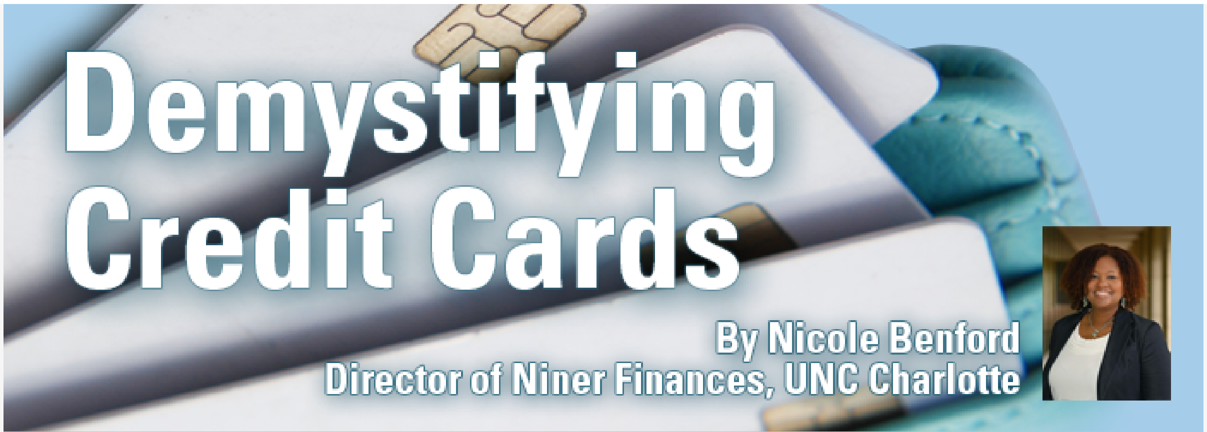
Brad grew up in Texas and is the youngest of four boys.

I digress, so back to the story - it turns out that an Adam Bomb is much more valuable than a Blasted Billy, but I did not know that then, so made the ill-fated trade. Once I realized my mistake, I felt like a fool. I learned quickly that I didn't want to feel that way again. Just about everyone has had an experience like this one – for me, this was one of the important moments that put me on a path into the financial services industry. It turns out that trading cards has many similarities with other types of financial transactions – the more information you have when making decisions like these, the better.

Welcome to the first edition of our financial literacy newsletter – I'm Brad Briner and I am the State Treasurer of North Carolina. Since my time collecting GPKs in the fourth grade, I have spent most of the last 40 years learning about, and working in, the world of finance. Eventually, I specialized in building portfolios for very large investors. Prior to becoming State Treasurer and managing the $130 billion pension system of our state, I managed investments for Mike Bloomberg, one of the wealthiest people in the world. Before that I built a company in the wealth management business, worked in an investment bank and in a private equity firm, and got degrees in Economics and Business as well.

Along my journey I have learned a number of lessons about financial literacy – many of them the hard way. I am excited to share some of the things I have learned so that you can avoid mistakes I have made, and build a solid understanding of finance that will serve you well throughout your life. It turns out that like many subjects, finance is full of acronyms, jargon and expressions. **But also like many subjects, if you have an essential level** of understanding of what is important, most of the detailed and highly technical parts of it are pretty easy to get by without. So, we'll focus on essential and important topics in these newsletters, and leave the really advanced stuff for others to address.

One of the things you'll learn about me along the way is that I love quotes. So let me end with this… I bet you have heard the quote "A journey of 1,000 miles begins with a single step". I really prefer a variation of that one: "A journey of 1,000 miles should begin with a map, actually". Hopefully we can help you find your map with this newsletter.



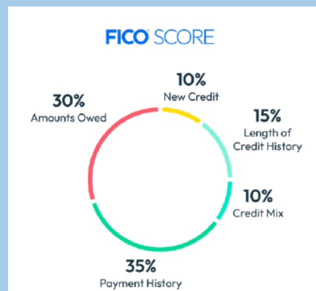
At one time or another, most people consider whether a credit card is right for them. It doesn't matter if you are a young adult or an established professional—it's important to understand some key elements to ensure they are used wisely and to avoid going into debt.

Having a credit card does not automatically mean being in debt. Only charge what you can afford to pay in cash to avoid paying interest and accumulating debt.

Credit cards should not be treated as an additional form of cash. If used wisely, you can benefit from your credit card(s) by leveraging rewards and building your credit score rather than incurring additional interest charges. Additionally, be aware of other benefits such as purchase protection, extended warranties and travel insurance (read the fine print of your credit card to find out what the benefits of your card are).

Following these steps will help you to use your credit card wisely as a tool to purchase a home or car rather than weighing yourself down with credit card debt.

Proper use of credit cards can help build a strong credit score. You will thank yourself when you are approved for and receive a low interest rate on large purchases such as a house or a car. The graphic to the right is a summary of the factors that are incorporated into calculating credit scores:



https://www.myfico.com/credit-education/whats-in-your-credit-score

Aim to pay your credit card in full and on time each month. This practice ensures you avoid interest charges. Contrary to popular belief, you do not need to maintain a balance for your on-time payment to be reported to credit bureaus. Paying in full and on time will also be reported.

If you are unable to pay in full, make sure you know your interest rate, so you aren't surprised by those costs. In addition, try to limit your outstanding balance to less than 30% of your credit limit to maintain a strong credit score.

Following these steps will help you to use your credit card wisely as a tool to purchase a home or car rather than weighing yourself down with credit card debt.

Investing 101

By Leslie Walden
Vice-Chair NC Council for Economic Education
and Vice President Public Affairs Fidelity

For a long time, people had a perception that investing might be complicated, but these days, due to technological advances, investing is actually fairly simple and straightforward. But what is investing, really? At its core, investing is about growing your money. If saving is about putting aside the money you worked for, investing is a way to help make your money work for you. The money you put aside with investing has the potential to grow. You put your money to work in a stock, bond, or other investment with the potential of making a profit.

When we asked young people about money, we learned that their goal is financial freedom. Now that can mean different things to different people, so we dug a little deeper, and learned that people don't want to live paycheck-to-paycheck, they want to be able to afford not just the basics but extras and not have to stress about money all the time.

Investing has the potential to make that life possible because it gives your money the potential to grow. It's the thing that can help give your finances a boost and set you up for financial success later in life.

Another misconception is "wait—I could lose money if I invest?" I'm out." Well, hold that thought for a minute. Yes, investing involves risk, which can make you sweat. The stock market can be volatile and bring on anxiety. The value of your investments will change by the day, even by the minute. And if you're involved in investing, there will no doubt be times when your investment's value falls.

> "Just take a deep breath and wait it out"

But you want to know what the most successful investors of all time would say? Just take a deep breath and wait it out. Historically, those who stay invested over time and diversify their portfolios often see positive returns.

You always assume a level of risk when you invest, but based on your comfort, you can select investments that are more or less risky. This idea is called risk tolerance. There's no right or wrong answer to what your individual risk tolerance should be, since everyone's comfort level is different, and can change depending on your age, personality, and life circumstances.

The more risk you take, the more potential for reward, and there are no guarantees when it comes to investing. That's because investing is all about putting your money toward something you think will make money for you in the future. Even though risk is involved, the good news is there's a great deal of research and data that can help you make the best choice for your situation. More on investing for beginners [here.]

Investing involves risk, including risk of loss.

Finding Your **Financial Fitness** Baseline

By Amber Thomas
Programs Director,
North Carolina Council
on Economic Education

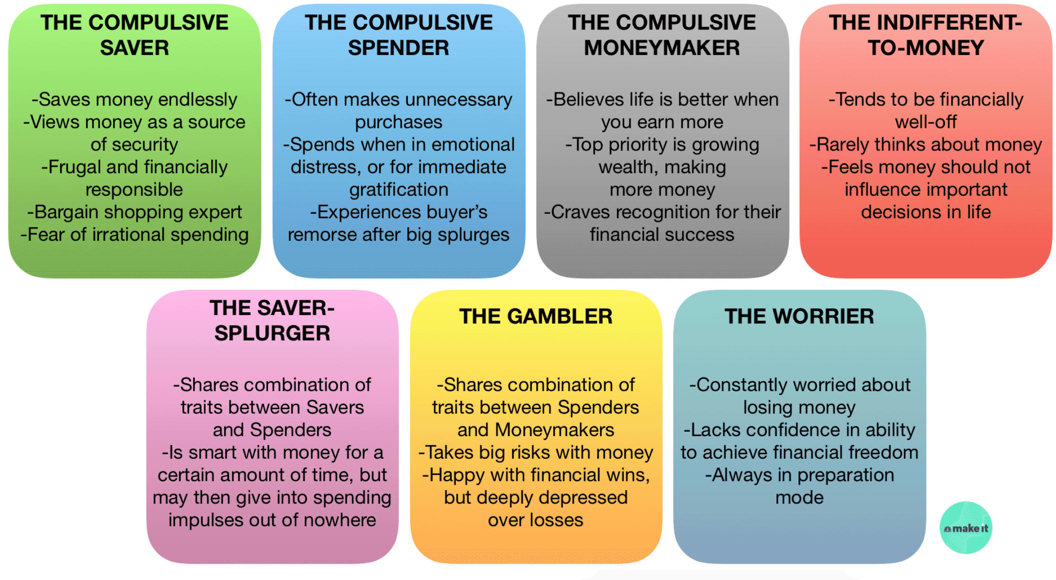
If you're not sure where to start with managing your money, you're not alone. The world of personal finance can be overwhelming—especially when you don't even know what questions to ask. A great place to begin? By understanding yourself and your habits.

Take a couple of minutes to complete the Money Personality Quiz (scan the QR code). Choose the answers that resonate most with you—even if they don't feel like a perfect fit.

Understanding Your Results: Now What?
Your money personality can reveal a lot about why you spend, save, or stress over finances. It's not about labeling yourself—it's about identifying tendencies so you can make better choices. For example, if you tend to be a "spender," how can you build habits that support saving without taking away all the joy? If you're a "saver," are you allowing yourself to enjoy your money in ways that align with your values?

Your personality may evolve over time, just like your financial goals. What matters is using your current insights to take small, meaningful steps forward. Let's get started by focusing on 5 steps you can take today to improve your financial health.

The 7 Money Personality Types



5 Actionable Steps to Improve Your Finances

Step 1: Take the Money Personality Quiz to learn why you spend money the way you do.

Step 2: Look at your expenses from the past 60 days and write them down in a notebook. A real paper and pen notebook versus your phone. There's something about pen and paper that makes things more real.

Step 3: Observe the categories where you spent the most money over the past 30-60 days. How could you reduce that spend by 5%, 10%, 20%?

Step 4: If you had the additional funds from your largest category, what would you do with it? Think about your values and make a SMART goal with how this saving could improve your life.

Step 5: Get familiar with the concept of automation and the power of compound interest. There is value in creating an automatic savings transfer no matter how small. After all, this is how pension plans and 401ks nudge us to save for the future. If you're curious about how compound interest works, check out this calculator.

Final Thought
Once you understand how you think about money, you can start making intentional changes. What's one small shift you can make today to improve your financial future—and maybe even that of your family?

Let's decide together to start with these five steps. You don't have to do everything at once. You just have to begin.

Sources

There are 7 money personality types, says psychology expert. Which one are you?
Buzzfeed: Money Personality Type Quiz!
Compound Interest Calculator from EconEdLink

By DST Staff

IT'S NEVER TOO SOON TO START

As former chairman of the Federal Reserve, economist Alan Greenspan had the responsibility of developing and administering deeply complex monetary policy at the United States' central bank. But he drew a simple conclusion about the largest barrier to individual responsibility for personal wealth.

"The number one problem in today's generation and economy is the lack of financial literacy," Greenspan famously said.

Financial literacy can be anything from understanding how to budget and invest; making informed decisions about money; borrowing and planned spending; saving for the future; avoiding financial fraud; running a business; planning for retirement; to building good credit.

The goal of this monthly newsletter is to help you to assemble those building blocks of financial literacy. You owe it to yourself to learn more about the concept of financial responsibility. You owe it to your children to create generational wealth, and to instill in them lessons learned so that they, too, will enjoy financial well-being.

One foundational principle that people often fail to apply is that it is never too soon to start. You can become financially literate and begin goals-based planning at any age. Ideally, you want to put your money to use as soon as you begin earning it, no matter your age or the number on that paycheck.

"Financial security isn't just about finances," according to U.S. Bank. "Yes, a solid personal financial plan can help you work toward your life goals, whether that's buying a house, saving for your children's education or starting a business. But it can also reduce financial anxiety and boost your confidence."

Research shows that most millennials are financially illiterate. It is crucial for them to start healthy money management now and not fall prey to quick-fix alternative financial services such as payday loans or pawn shops, or using credit cards with high interest rates and unfavorable terms and conditions.

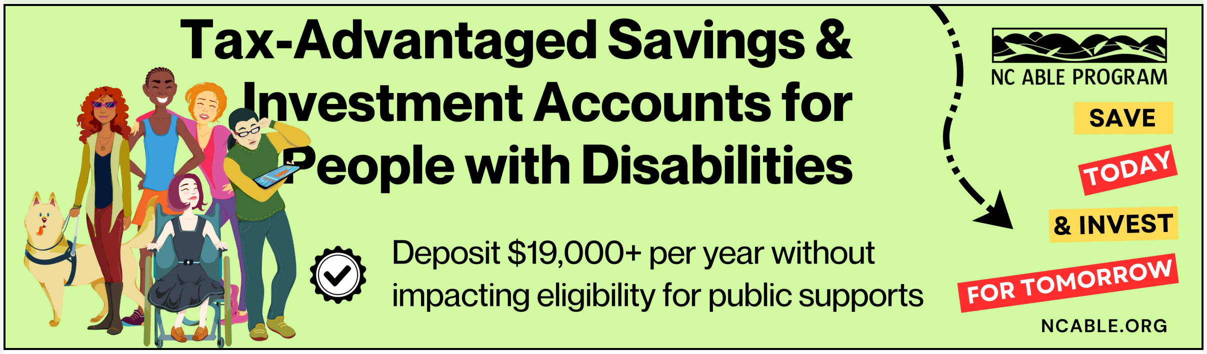
US Bank offers five personal financial planning steps that are integral to financial literacy and sensible at any stage of life.

- Assess your financial situation and typical expenses.
- Set personal financial goals.
- Create a plan that reflects the present and future.
- Fund your personal goals through saving and investing.
- Monitor your progress.

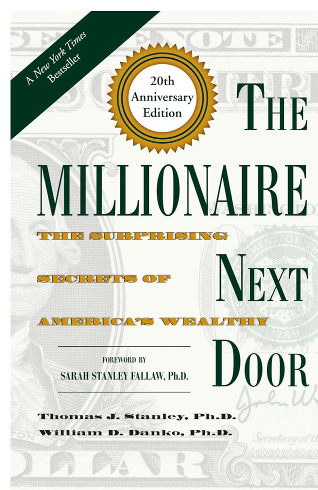
Financial literacy is also important for older people. Americans are living longer than ever, and need to plan for health care expenses that typically rise with age. They need to consider how to maintain their financial independence and quality of life.

Jeff Hancock, director of the Department of State Treasurer's Supplemental Savings Program, advises that regardless of where you are on the age spectrum, saving for retirement is extremely important.

"While there are many ways to save, one easy way is to take advantage of your employer-sponsored retirement plan, like a 401k. This can help you create a regular savings plan," Hancock said. "Starting early also makes a big difference as your money has longer to work for you and you'll see a bigger impact from compounding interest. Nevertheless, the longer you wait, the more you will need to save."



Book of the Month: "The Millionaire Next Door"



Each month Brad will suggest a book to read that goes more in-depth on the topic we are featuring. This month Brad recommends The Millionaire Next Door. The bestselling book identifies seven common traits that show up again and again among those who have accumulated wealth. Most of the truly wealthy in this country don't live in Beverly Hills or on Park Avenue-they live next door.

You can borrow it here or at your local public library. Or buy it here.

For Teens:
For the past 65-plus years, the S&P 500 Index Fund has averaged approximately 10% returns. With this rate of return, how much money would you have in 20 years if you invested $100 per week?

- A. $75,944.21
- B. $328,814.03
- C. $100,000.00

What is the average cost of college attendance (tuition and fees, books and supplies and room and board on campus) in the United States?

- A. $9,750
- B. $38,270
- C. $28,386

For Adults/Seniors:

If you were able to set aside $50 each month for retirement, how much would that end up becoming 25 years from now, including interest, if it grew at the historical stock market average?

- A. About $15,000
- B. About $30,000
- C. About $40,000
- D. About $60,000
- E. More than $60,000

Suppose you have $100 in a savings account and the interest rate was 2% per year. After five years, how much do you think you would have in the account if you left the money to grow?

- A. More than $102
- B. Exactly $102
- C. Less than $102
- D. I don't know

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, how much would you be able to buy with the money in this account?

- A. More than today
- B. Exactly the same as today
- C. Less than today
- D. I don't know

True or False?---Buying a single company stock usually provides a safer return than a stock mutual fund.

Click here for the answers.

Sources
Average Stock Market Return: A Historical Perspective and Future Outlook from Business Insider
Compound Interest Calculator from NerdWallet
Most Americans can't answer these 5 basic money questions from CNBC

[Average Cost of College & Tuition] from Education Data Initiative

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Contact us with questions about financial literacy or suggestions for topics to explore.

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