

Budgeting Your Summer Firm Earnings

NYU School of Law
Office of Student Financial Services
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Overview

- General Budget Planning
- Estimating Net Summer Earnings
 - Taxation
- Options for Summer Surplus
- Other Considerations
 - LRAP
- Questions

Budget Planning

Information and Resources

Budget Planning

- Financial success requires budget planning
 - Develop an affordable budget
 - In-school
 - During the summer
 - Following graduation
 - Follow your budget
 - Minimize what you have to borrow
 - Maximize available resources after graduation
- “Live like a student now, or you will live like a student later.”

Budget Planning

- Resources

- www.finaid.org – lots of calculators and general information
- www.accessgroup.org/Student-Loans/learn-about-loans/wise-borrower-tutorial.htm – Wise Borrower series from Access Group
- <https://www.annualcreditreport.com> – free copy of your credit report
- law.finaid@nyu.edu - Office of Student Financial Services is available to meet one-on-one with students

Estimating Net Earnings

Uncle Sam's Cut

General Taxation Information

- Office of Student Financial Services is unable to provide tax advice
- Information that follows is anecdotal
 - Based on review of W-2s and final pay stubs submitted for summer earnings verification by previous students
- All examples are for demonstration purposes only – your individual amounts may vary
- **Consult with your firm's HR representative and/or a tax advisor**

Estimated Net Summer Earnings

- “Part-time Taxation”

- Taxes are based on your gross year-to-date earnings for each pay period
- As your earnings increase, your rate of taxation increases
- Paychecks will decrease over the summer
- Increases net earnings

- “Annualized Taxation”

- Taxes are based on the annualized salary of your weekly earnings
- Typically places you in a much higher rate of taxation
- Same rate of taxation throughout the summer
- Paychecks stay the same
- Greater potential tax refund*

*You may have other tax considerations – consult a tax advisor

“Part-time Taxation” Example

Number of weeks worked	<u>10 weeks</u>	<u>12 weeks</u>
Weekly pay rate	\$3,000	\$3,000
Gross Summer Earnings	\$30,000	\$36,000
Taxes (approx. 35%)	<u>- \$10,500</u>	<u>- \$12,600</u>
Net (“take-home”)	\$19,500	\$23,400
Summer Earnings		

(assumes NYC firm and single taxpayer)

“Annualized Taxation” Example

Number of weeks worked	<u>10 weeks</u>	<u>12 weeks</u>
Weekly pay rate	\$3,000	\$3,000
Gross Summer Earnings	\$30,000	\$36,000
Taxes (approx. 42%)	<u>- \$12,600</u>	<u>- \$15,120</u>
Net (“take-home”)	\$17,400	\$20,880
Summer Earnings		

(assumes NYC firm and single taxpayer)

Potential Net Summer Surplus

- NYU School of Law Student Expense Budget allocates approximately \$2,190 per month during the 9-month academic year for living expenses
- We encourage you to make every effort to live within a similar budget during the 3-month summer period
 - Based on this budget, your summer living expenses would be approximately \$6,570

Potential Net Summer Surplus

- “Part-time Taxation”

- Work 10 weeks
 - Net income after taxes and living expenses is approximately
\$12,930
- Work 12 weeks
 - Net income after taxes and living expenses is approximately
\$16,830

- “Annualized Taxation”

- Work 10 weeks
 - Net income after taxes and living expenses is approximately
\$10,830
- Work 12 weeks
 - Net income after taxes and living expenses is approximately
\$14,310

Summer Surplus

Options to Consider

Using your Summer Surplus

- Borrow less in student loans in the coming academic year
 - LRAP expects that students will use any gross earnings in excess of \$15,000 toward their educational expenses
- Pay off credit card debt – but be careful not to incur new debt
- Help pay for expenses that cannot be covered by financial aid
- Pay for your bar prep expenses without having to borrow a bar study loan
- Save funds for an unexpected emergency
- Other ideas...

Conclusion

- Creating a budget is key in managing your earnings and maximizing their potential
- Think of this as a practice for your future firm earnings
- We are here to help!

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