

YOUR GUIDE TO FINANCIAL LITERACY

Core Concepts: Business & Personal



INCOME

Money received from various sources. How you earn matters for taxes, risk, and financial stability.

ACTIVE

Earned through direct work or services rendered
Wages · Salary · Freelance fees

PASSIVE

Earned with minimal ongoing effort after initial work
Rental income · Royalties

PORTFOLIO

Returns generated from invested financial assets
Dividends · Capital gains · Interest



FIXED vs. VARIABLE EXPENSES

Understanding how your costs behave helps you budget, plan, and identify where you have flexibility.

FIXED EXPENSES

Stay the same regardless of output, sales, or usage. Predictable and recurring. They're due whether business is booming or slow.

BUSINESS

Rent/Lease, Salaries, Insurance, Loan Payments, Software Subscriptions

PERSONAL

Mortgage/Rent, Car Payment, Insurance, Gym Membership

VARIABLE EXPENSES

Fluctuate based on production, sales volume, or spending choices. They rise and fall, which means you have more control over them.

BUSINESS

Raw Materials, Sales Commissions, Shipping Cost, Overtime Pay, Advertising

PERSONAL

Groceries, Gas, Entertainment, Dining Out, Clothing

Semi-variable expenses have both fixed and variable components. A phone bill with a base plan fee (fixed) plus overage charges (variable).

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ASSETS

WHAT YOU OWN

Anything of value you own or control that can generate future economic benefit or be converted into cash.

BUSINESS

Equipment, inventory, vehicles, patents, cash in accounts, accounts receivable, company real estate

PERSONAL

Home, car, savings, & investment accounts, jewelry, retirement funds (401(k), IRA, ESOP)



LIABILITIES

WHAT YOU OWE

*Financial obligations or debts owed to another party.
What you still need to pay back.*

BUSINESS

Business loans, accounts payable, unpaid wages, deferred revenue, corporate bonds

PERSONAL

Mortgage, car loan, student loans, credit card balances, medical bills



EQUITY

ASSET - LIABILITIES = EQUITY

*The net value of what you own after subtracting everything you owe.
Your true financial ownership stake.*

BUSINESS

Shareholders' equity, retained earnings, owner's capital. Represents what owners would receive if all debts were paid.

PERSONAL

Home equity (home value minus mortgage), net worth = all personal assets minus all debts