

# SETTING A FINANCIAL GOAL

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

|    |                       |
|----|-----------------------|
|    | Total Points Earned   |
| 12 | Total Points Possible |
|    | Percentage            |

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

**Directions:** Write a financial goal to include with the spending plan by following the 5 elements of goal setting.

**Specific:** When writing a financial goal, state exactly what you would like to purchase with the money you save.  
For example: I plan to save for a down payment on a new car.

★ What specific item are you saving for? \_\_\_\_\_.

**Measurable:** To make the goal measurable, write the exact dollar amount you would like to save.  
For example: I plan to save \$5,000 for a down payment on a new car.

★ How much would you like to save? \_\_\_\_\_.

**Attainable:** To make the goal attainable, identify how it can be reached which is often determined by an individual's budget. For example: I plan to save \$5,000 for a down payment on a new car by saving \$200 from every paycheck.

★ How are you going to reach this goal? \_\_\_\_\_.

**Realistic:** Be realistic. If a person is working and barely meeting their immediate needs, saving \$5,000 for a new car is not something they can afford.

★ Is the goal realistic? Why or why not? \_\_\_\_\_.

**Time Bound:** Specifically state when you would like to reach the goal. Realistically, a person cannot save \$5000 for a new car by only taking \$200 from their paycheck for 6 months.

★ When will you reach your goal? \_\_\_\_\_.

*The final goal example:* I plan to save \$5,000 for a down payment on a new car by saving \$200 from every paycheck for two years.

★ What is your final goal statement? \_\_\_\_\_.

# GUIDED SPENDING PLAN

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

|    |                       |
|----|-----------------------|
|    | Total Points Earned   |
| 72 | Total Points Possible |
|    | Percentage            |

1. Your Name(s) \_\_\_\_\_

Family Name: \_\_\_\_\_

2. After reading the personal profile, complete the *Setting a Financial Goal/2.0.1.A1 worksheet*. Record the goal on the spending plan. **Do not forget to include the dollar amount of the goal in the spending plan.**

★SMART Financial Goal: \_\_\_\_\_

### 3. UNDERSTANDING THE PAYCHECK (8 pts)

#### SPENDING PLAN INSTRUCTIONS

- **Income Section:** Record the gross income from the paycheck stub(s).
- **Expense Section:** Record the federal withholding, state withholding, Social Security, and Medicare taxes. Then, if applicable, write any retirement plan contributions and health insurance expenses.

| INCOME   |  |
|--|--|
| Wages  |  |
| Gross Income                                     |  |
| Commission, Tips, Bonuses                        |  |
| Other  |  |
| Total Gross Income                               |  |
| EXPENSE  |  |
| Paycheck Deductions                              |  |
| Federal Withholding                              |  |
| State Withholding                                |  |
| Social Security                                  |  |
| Medicare   |  |
| Retirement Plan Contributions (401 K, 403B, TSP) |  |
| Medical  |  |
| Additional Withholding                           |  |
| Paycheck Deductions Subtotal                     |  |
| NET INCOME (Total Gross Income—Paycheck          |  |

### 4. SAVING AND INVESTING (2 pts)

#### SPENDING PLAN INSTRUCTIONS

- If the profile indicates any monthly savings or investments record it below. Otherwise, determine an appropriate amount to be saved and/or invested.

#### SPENDING PLAN DECISIONS

- The recommended savings amount is 10% of net income. Calculate (net income x .10 = recommended savings amount) and record this amount \_\_\_\_\_.

|  |  |
|--|--|
| Saving and Investing ( <i>recommended a minimum of 10% of net income</i> ) |  |
| Savings  |  |
| Investments  |  |
| Savings and Investing Subtotal   |  |

# GUIDED SPENDING PLAN

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### 5. HOUSING (9 pts)

#### SPENDING PLAN INSTRUCTIONS

- If the profile indicates owning a home, choose which house was purchased and include insurance, taxes, and repairs & maintenance in the spending plan. Otherwise, choose a housing option from the "Housing" tab and record all expenses given in red.
- *Only choose a house available in the location indicated in the profile.*
- **Purchasing:** Assume a 20% down payment has been made for a 30 year mortgage (unless otherwise noted) with a 6% interest rate.
- **Renting:** Assume deposit has been made.
  - **Amenities**—Items, often utilities, included with in the monthly rent are to entice an individual. If the rental states it includes water, sewer, and garbage, these items are paid for within rent and do not need to be included in the spending plan.
  - **Laundromat**—If a washer and dryer is not included in the apartment, Laundromat fees must be paid.
  - **Pets**—Not all rentals allow people to have pets. Some may charge a monthly fee. Pet owners must live at a place which allows animals.

#### SPENDING PLAN DECISIONS

- The recommended housing amount is 30% of net income. Calculate (net income x .30 = recommended housing amount) and record this amount \_\_\_\_\_.
- Which housing option was chosen? \_\_\_\_\_.
- Power, water/sewer, and garbage must be included within the spending plan. Internet, phone, and cable are optional. What optional amenities were chosen?
  - ☐ Phone Line in House
  - ☐ Cell Phone
  - ☐ Internet
  - ☐ Recycling
  - ☐ Cable
  - ☐ Satellite Dish
- Under the "Average Expenditures" tab choose additional flexible expenses from the housing category. Record these expenses in the "Other" row of the spending plan below. What, if any, additional flexible expenses were chosen?
  - ☐ Housekeeping supplies
  - ☐ Furniture
  - ☐ Appliances & housewares
  - ☐ Other \_\_\_\_\_.

#### Housing (on average, 30% of net income)

|                                  |  |
|----------------------------------|--|
| Mortgage Payment or Rent         |  |
| Lot Rental or Other Fees         |  |
| Homeowner's / Renter's Insurance |  |
| Property Taxes                   |  |
| Repairs and Maintenance          |  |
| Power                            |  |
| Water/Sewer                      |  |
| Garbage                          |  |
| Home Phone                       |  |
| Cell Phone                       |  |
| Internet                         |  |
| Recycling                        |  |
| Cable / Satellite Dish           |  |
| Other                            |  |
| <b>Housing Subtotal</b>          |  |

# GUIDED SPENDING PLAN

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### 6. TRANSPORTATION (4 pts)

#### SPENDING PLAN INSTRUCTIONS

- If the profile indicates owning a vehicle, choose which was purchased and include insurance, fuel, and repairs & maintenance in the spending plan. Otherwise, choose an option from the "Transportation" tab and record all expenses given in red.
- **Purchasing a vehicle:** Assume the down payment, license, registration, and other fees have been paid.
- **Transportation alternatives:** Availability is limited in some areas of the United States. These limitations must be taken into consideration when choosing a mode of transportation to make a realistic choice.

#### SPENDING PLAN DECISIONS

- The recommended transportation amount is 20% of net income. Calculate (net income x .20 = recommended transportation amount) and record this amount \_\_\_\_\_.
- Which vehicle(s) was chosen? \_\_\_\_\_.

Transportation (on average, 20% of net income)

Automobile or Other Transportation Payment

Automobile Insurance

Fuel Costs

Repairs and Maintenance

Transportation Subtotal

### 7. FOOD (6 pts)

#### SPENDING PLAN INSTRUCTIONS

- If the profile indicates the amount spent on food record it below. Otherwise, choose a food plan from the "Food" tab, find the appropriate amount in the table based upon gender and age. For a married couple, select from under "Families of Two." *Note that this only covers the adults in the family, food for children will be determined separately.*
- Using the "Average Expenditures" tab, choose a reasonable amount to be spent on *food away from home*.
- Using the "Cost of Raising Children" tab find the appropriate table and determine the cost of food for any children in the family.

#### SPENDING PLAN DECISIONS

- The recommended food amount is 15% of net income. Calculate (net income x .15 = recommended food amount) and record this amount \_\_\_\_\_.
- Which food plan was chosen?
  - ☐ Thrifty
  - ☐ Low Cost
  - ☐ Moderate
  - ☐ Liberal
- What is the monthly cost of food away from home? \_\_\_\_\_.
- What is the cost of food for the children in the family? \_\_\_\_\_.

Food (on average, 15% of net income)

Food at Home (adults only)

Food Away from Home

Food for Children

Food Subtotal

# GUIDED SPENDING PLAN

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### 8. INSURANCE (10 pts)

#### SPENDING PLAN INSTRUCTIONS

- **Health Insurance**—If health insurance is **not provided** by the employer, it may be purchased.
  - If the insurance is for one individual the single plan should be selected, if it is for two people the single plus dependent plan should be selected, and if it is for more than two people the family plan should be selected.
  - Using the table under the “Insurance” tab select the row of the appropriate age (if the plan covers more than one person use the oldest person’s age) and the column of the appropriate plan.
- **Disability Insurance**—Individuals may choose to purchase disability insurance. To determine the monthly cost multiply the monthly net income by 0.02.
- **Life Insurance**—Individuals may choose to purchase life insurance. Choose a policy amount and find the appropriate monthly premium in the tables under the “Insurance” tab based on the individual’s gender, age, and tobacco usage.

#### SPENDING PLAN DECISIONS

- The recommended insurance amount is 7% of net income. Calculate (net income x .07 = recommended insurance amount) and record this amount \_\_\_\_\_.
- If health insurance was purchased:
  - What is the age of the individual, or if purchasing for a family of two or more what is the age of the oldest person to be covered by the health insurance? \_\_\_\_\_.
  - Which plan was chosen?
    - ☐ Single
    - ☐ Single plus dependent
    - ☐ Family
  - What is the monthly premium cost? \_\_\_\_\_.
- If disability insurance was purchased, what is the monthly cost for the individual (monthly net income x .02)? \_\_\_\_\_.
- If life insurance was purchased:
  - What policy amount was chosen? \_\_\_\_\_.
  - What is the monthly premium? \_\_\_\_\_.

Insurance (on average, 7% of net income)

Health

Disability

Life

Insurance Subtotal

### 9. COST OF RAISING CHILDREN (2 pts)

#### SPENDING PLAN INSTRUCTIONS

- If the family has children calculate the monthly cost of raising them using the tables under the “Cost of Raising Children” tab. Locate the table that corresponds to the correct marital status and annual gross income. Using the child’s age add the expenses for each category unless noted in profile. *Do not include the cost of food since this was added in question # 7.*
- **Single:** For one child, multiply the expenses by 1.35. For two children, add the expenses for each appropriate age category. For three or more children, add all appropriate expenses and multiply by 0.72.
- **Two-parent:** For one child, multiply the expenses by 1.24. For two children add the expenses for each appropriate age category. For three or more children add all appropriate expenses and multiply by 0.77.

Cost of Raising Children

Cost of Raising Children Subtotal

# GUIDED SPENDING PLAN

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### 10. CREDIT CARD STATEMENTS (4 pts)

- How much credit card debt, if any, was received? \_\_\_\_\_.
- What is the minimum monthly payment? \_\_\_\_\_.

| Loan Repayment          |  |
|-------------------------|--|
| Student Loans           |  |
| Credit Card Debt        |  |
| Other                   |  |
| Loan Repayment Subtotal |  |

### 11. AVERAGE EXPENDITURES (8 pts)

#### SPENDING PLAN INSTRUCTIONS

- Account for all additional expenses identified in red on the personal profile.
- Using the "Average Expenditures" tab, estimate the families flexible expenses.
- The families gross income is a realistic indicator of how much, on average, a family spends in each area.
- The examples noted for each category illustrates the types of items comprised of that category.
- Because they are flexible expenses, the amount may be modified based upon the families values, number of family members, or if part of an expense was already included in the personal profile.
- For most profiles, families incur expenses in each category.

#### SPENDING PLAN DECISIONS

- What additional expenses in the profile impacted the spending plan? \_\_\_\_\_.
- What are the estimated amounts for the flexible expenses chosen for each of the following categories?
  - Entertainment \_\_\_\_\_.
  - Personal Care \_\_\_\_\_.
  - Health Care \_\_\_\_\_.
  - Apparel & Services \_\_\_\_\_.
  - Contributions \_\_\_\_\_.
  - Education & Reading \_\_\_\_\_.

| Average Expenditures          |  |
|-------------------------------|--|
| Child Care/Dependent Care     |  |
| Child Support/Alimony         |  |
| Professional Dues             |  |
| Pets                          |  |
| Hobbies                       |  |
| Entertainment                 |  |
| Personal Care                 |  |
| Health Care                   |  |
| Apparel & Services            |  |
| Contributions/Gifts           |  |
| Education & Reading           |  |
| Other                         |  |
| Average Expenditures Subtotal |  |

# GUIDED SPENDING PLAN

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### 12. CHANCE CARDS (2 pts)

- What chance card was received? \_\_\_\_\_

### 13. SPENDING PLAN REACHING ZERO (5 pts)

| Income  |  |
|---|--|
| Total Gross Income                                    |  |
| Expense   |  |
| Paycheck Deductions Subtotal                          |  |
| Savings and Investing Subtotal                        |  |
| Housing Subtotal                                      |  |
| Transportation Subtotal                               |  |
| Food Subtotal   |  |
| Insurance Subtotal                                    |  |
| Cost of Raising Children Subtotal                     |  |
| Loan Repayment Subtotal                               |  |
| Other Expenditure Subtotal                            |  |
| Total Expense   |  |
| Net Loss or Gain (Total Gross Income - Total Expense) |  |

- A completed spending plan should end without a net gain or loss meaning; it should be zero.
- If there was a net gain (extra money), write 2-3 sentences about where the money was allocated.

---



---



---

- If there was a net loss (in the negative), write 2-3 sentences about which expenses were cut.

---



---



---

### 14. ASSESSING SMART GOALS (2 pts)

- After balancing your spending plan, did you change your SMART goal? Why or Why not?

---



---



---

- Write a revised SMART goal based upon your spending plan.

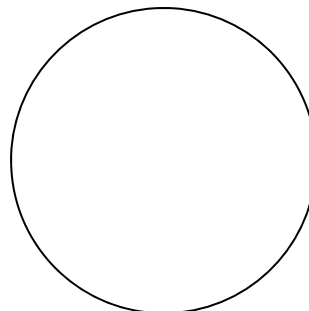


# GUIDED SPENDING PLAN

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### 15. REFLECTION QUESTIONS (10 pts)

- Complete the pie chart to depict the percentages you have used for your spending plan.
- Compared to the average expenditures pie chart percentages, how is your chart different? Provide two examples describing why your financial choices differ.
- Provide two examples of expenditure choices you made which reflect the values, needs, and wants of the individual(s) in your scenario.
- What do you feel is the most difficult component of creating a spending plan which families encounter?
- If an individual within your scenario were to lose his or her job and their new employment paid \$350 less per month, what are two things you would adjust in the spending plan to adapt and describe why these choices were made.
- Do you feel that insurance is an essential component of a financial plan? Why or why not?
- If the individual/family in your scenario was in credit card debt and had monthly minimum payments of \$400 what impact would that of had in the choices you were able to make for them throughout the simulation?
- What are two pieces of advice you would tell a friend as rules of thumb they should know about and do when managing their own money?
- Identify two things you learned as a result of completing this simulation which you will employ in your daily life in the next five years.
- Often, individuals work with others to create a spending plan that works for them and their family. What is one piece of advice you would provide someone about communicating effectively when talking about money?



- ☐ Housing \_\_\_\_\_
- ☐ Transportation \_\_\_\_\_
- ☐ Food \_\_\_\_\_
- ☐ Other \_\_\_\_\_
- ☐ Insurance \_\_\_\_\_
- ☐ Saving \_\_\_\_\_



# SPENDING PLAN STATEMENT

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

| Name:   |  | Time Period: March |                          |
|---|--|--------------------|--------------------------|
| Financial Goal:                                     |  |                    |                          |
| Category  | Item   | Amount Budgeted    | Percentage of Net Income |
| <b>INCOME</b>                                       |  |                    |                          |
| <b>Wages</b>  |  |                    |                          |
|   | Gross Income                                     |                    |                          |
|   | Commission, Tips, Bonuses                        |                    |                          |
|   | Other  |                    |                          |
| Total Gross Income                                  |  |                    |                          |
| <b>EXPENSE</b>                                      |  |                    |                          |
| <b>Paycheck Deductions</b>                          |  |                    |                          |
|   | Federal Withholding                              |                    |                          |
|   | State Withholding                                |                    |                          |
|   | Social Security                                  |                    |                          |
|   | Medicare   |                    |                          |
|   | Retirement Plan Contributions (401 K, 403B, TSP) |                    |                          |
|   | Medical  |                    |                          |
|   | Additional Withholding                           |                    |                          |
| Paycheck Deductions Subtotal                        |  |                    |                          |
| NET INCOME (Total Gross Income—Paycheck Deductions) |  |                    |                          |
| <b>Saving and Investing</b>                         |  |                    |                          |
|   | Savings  |                    |                          |
|   | Investments                                      |                    |                          |
| Savings and Investing Subtotal                      |  |                    |                          |
| <b>Housing</b>                                      |  |                    |                          |
|   | Mortgage Payment or Rent                         |                    |                          |
|   | Lot Rental or Other Fees                         |                    |                          |
|   | Homeowner's / Renter's Insurance                 |                    |                          |
|   | Property Taxes                                   |                    |                          |
|   | Repairs and Maintenance                          |                    |                          |
|   | Power  |                    |                          |
|   | Water/Sewer                                      |                    |                          |
|   | Garbage  |                    |                          |
|   | Home Phone                                       |                    |                          |
|   | Cell Phone                                       |                    |                          |
|   | Internet   |                    |                          |
|   | Recycling  |                    |                          |
|   | Cable / Satellite Dish                           |                    |                          |
| Other   |  |                    |                          |
| Housing Subtotal                                    |  |                    |                          |

# SPENDING PLAN STATEMENT

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

| Transportation   |  |  |  |
|--|--|--|--|
|  | Automobile or Other Transportation Payment |  |  |
|  | Automobile Insurance                       |  |  |
|  | Fuel Costs                                 |  |  |
|  | Repairs and Maintenance                    |  |  |
| Transportation Subtotal  |  |  |  |
| Insurance  |  |  |  |
|  | Health                                     |  |  |
|  | Disability                                 |  |  |
|  | Life                                       |  |  |
| Insurance Subtotal   |  |  |  |
| Food   |  |  |  |
|  | Food at Home (adults only)                 |  |  |
|  | Food Away from Home                        |  |  |
|  | Food for Children                          |  |  |
| Food Subtotal  |  |  |  |
| Cost of Raising Children                                       |  |  |  |
|  | Cost of Raising Children                   |  |  |
| Cost of Raising Children Subtotal                              |  |  |  |
| Loan Repayment   |  |  |  |
|  | Student Loans                              |  |  |
|  | Credit Card Debt                           |  |  |
|  | Other                                      |  |  |
| Loan Repayment Subtotal  |  |  |  |
| Other Expenditures   |  |  |  |
|  | Child Care/Dependent Care                  |  |  |
|  | Child Support/Alimony                      |  |  |
|  | Professional Dues                          |  |  |
|  | Pets                                       |  |  |
|  | Hobbies                                    |  |  |
|  | Entertainment                              |  |  |
|  | Personal Care                              |  |  |
|  | Health Care                                |  |  |
|  | Apparel & Services                         |  |  |
|  | Contributions/Gifts                        |  |  |
|  | Education & Reading                        |  |  |
|  | Other                                      |  |  |
| Other Expenditures Subtotal                                    |  |  |  |
| Total Expenses   |  |  |  |
| Net Loss or Gain ( <i>Total Gross Income - Total Expense</i> ) |  |  |  |

# UNDERSTANDING YOUR PAYCHECK

LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

## EXAMPLE PAYCHECK

|   |  |   |          |
|---|--|---|----------|
| <b>Big City Shopping Center</b><br>14297 132 <sup>nd</sup> St. N. |  | 95-836-1427   | 1234     |
| Date <u>March 6, 2009</u>   |  |   |          |
| Pay To The Order Of: <u>FRED EXAMPLE</u>                          |  | <b>\$1,065.64</b>                                       | <b>D</b> |
| <u>ONE THOUSAND SIXTY-FIVE AND 64/100</u>                         |  | Dollars   |          |
| National Bank<br>5832 Main Street                                 |  |   |          |
| Memo <u>FEBRUARY PAYCHECK</u><br><b>0123456789 : 0987654321 :</b> |  | <u>Big City Shopping Center</u><br>Authorized Signature |          |

|  |   |   |   |
|--|---|---|---|
| <b>Big City Shopping Center</b>                              |   | <b>B</b> Pay Period <u>2/1/2009-2/28/2009</u> |   |
| Employee Example, Fred <b>A</b>                              | SSN/Employee Identification number<br>999-88-4444 | Check #<br>1234                               | Check Amount <b>D</b><br>\$1,065.64   |
| Employee Address<br>405 S. Clean Ave.<br>Any City, USA 87654 |   |   |   |
| Pay Type   | Gross Pay <b>C</b>                                | Year-to-date Gross Pay                        | Deductions <b>E</b>   |
| Regular  | \$1,249.17  | \$2,498.33                                    | Federal Withholding <b>F</b><br>State Withholding <b>G</b><br>Social Security <b>H</b><br>Medicare<br>401 K <b>I</b><br>Medical <b>J</b><br>Additional Withholding <b>K</b> |
|  |   |   | Current<br>\$43.00<br>\$44.97<br>\$77.45<br>\$18.11<br>\$0.00<br>\$0.00<br>\$0.00   |
|  |   |   | Year-to-date <b>L</b><br>\$86.00<br>\$89.94<br>\$154.90<br>\$36.22<br>\$0.00<br>\$0.00<br>\$0.00  |
|  |   | Totals  | \$183.53<br>\$367.06  |

## The Form W-4

To begin a job, new employees are asked to complete a Form W-4, which is also known as an Employee's Withholding Allowance Certificate. The information provided on this form determines the percentage of gross pay withheld for taxes. On the Form W-4, the federal government allows taxpayers to claim allowances. An **allowance** is used to determine the amount of federal taxes withheld from a paycheck. An employee may claim a personal allowance if no one else claims them as a dependent. A **dependent** is a person who relies on the taxpayer for financial support. The **Internal Revenue Service** is the governmental agency responsible for collecting federal taxes, issuing regulations, and enforcing tax laws written by the United States Congress. The amount of taxes withheld from an individual's paycheck depends upon his/her income and information provided on the Form W-4.

# UNDERSTANDING YOUR PAYCHECK

LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

## EXAMPLE PAYCHECK EXPLANATION

A typical paycheck has two parts: the actual paycheck and the paycheck stub. A **paycheck stub** lists the paycheck deductions as well as other important information including:

- A. **Personal Information**—States the employee's full name, address, and social security number or employee ID number.
- B. **Pay Period**—The length of time which an employee's wages are calculated. Most are weekly, bi-weekly, twice a month or monthly.
- C. **Gross Income**—The total amount earned during the pay period before deductions. If a person earns an hourly wage, gross pay is calculated by multiplying the number of hours worked by the wage. For example, if a person works 45 hours in a pay period earning \$7.50 per hour, his/her gross pay would be \$337.50. If a person is on **salary**, earning a set amount for a specified time period, the gross pay is the total salary amount divided by the number of pay periods within the specified time period. For example, if a person earns \$24,000.00 per year, his/her gross pay would be \$2,000.00 per month.
- D. **Net Pay**—The amount of money left after all deductions have been withheld from the gross pay earned in the pay period. This is the actual dollar amount on one's paycheck.
- E. **Deductions**—The amount of money subtracted from the gross pay for mandatory systematic taxes, employee sponsored medical benefits, and/or retirement benefits.
- F. **Federal Withholding Tax**—The amount required by law for employers to withhold from earned wages to pay taxes and to fund federally assisted government projects and agencies. This represents the largest deduction from an employee's gross income. The amount withheld depends upon two things: gross income and information provided on the Form W-4.
- G. **State Withholding Tax**—The percentage deducted from an individual's paycheck to assist in funding government agencies within the state. The percentage of deduction depends upon gross income the employee has earned.
- H. **FICA** (Federal Insurance Contribution Act)—This tax includes two separate taxes: **Social Security** and **Medicare**. These two taxes can be combined as one line item or itemized separately on a paycheck stub.
  - **Social Security**—The nation's retirement program. This tax helps provide retirement income for the elderly and pays disability benefits. Social Security taxes are based on a percentage (6.2%) of the employee's gross income. The employer matches the contribution made by the employee.
  - **Medicare**—The nation's health care program for the elderly and disabled. This tax provides hospital and medical insurance to those who qualify. Medicare taxes are based on a percentage (1.45%) of the employee's gross income.
- I. **Retirement Plan**—The amount an employee contributes each pay period to a retirement plan. A specified percentage of the contribution is often matched by the employer. This may be a 401K, 403B, TSP, state, or local retirement plan.
- J. **Medical**—The amount taken from the employee's paycheck for medical benefits. This occurs when the employer has a medical plan for employees, but does not pay full coverage for his/her benefits, so the employee is responsible for paying the remaining balance.
- K. **Additional Withholding**—Any additional withholding employee may have. In this simulation, this line refers to any additional money employee elects to withhold from paycheck in order to meet tax obligations.
- L. **Year-to-Date**—Totals all of the deductions taken from an individual's paycheck from January 1 to the last day of the pay period indicated on the paycheck stub.

# HOUSING INFORMATION

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### Renting vs. Buying

Long-term, purchasing a home is financially beneficial because of the tax deductions on the mortgage interest, tax free capital gains, and potential appreciation (increase in value). However, two factors affecting potential gains include the location and how long a person plans to stay in the location. The following are advantages and disadvantages of renting vs. buying:

#### Advantages

#### Disadvantages

#### Renting

- No maintenance or repairs
- Mobility, less commitment
- No down payment
- Opportunity to become familiar with area
- Affordable alternative

- No tax deductions
- Transient neighbors
- No gain from rising value of property
- Limited modification opportunities
- Little storage

#### Buying

- Build equity
- Pride of ownership
- Stronger credit rating
- Income tax deduction

- Down payment and move in costs
- Limited liquidity
- Property taxes
- Time, energy, and money commitment

### Mortgages

Because purchasing a home is such a large expenditure, many individuals use credit. A **mortgage** is a loan given to an individual for purchasing property where the property is pledged as security. Meaning, if an individual does not pay back his/her loan, the lender may repossess the property. To obtain a mortgage, a down payment, usually 10% or more of the purchasing price, is required along with the ability to handle the monthly mortgage payments. The average time an individual finances a home is for 30 years, however, 15 and 20 years are also common. If an individual has a lower interest rate, makes larger monthly payments or has a large down payment, they will pay less interest over the length of the loan.

### Homeowner's and Renter's Insurance

Homeowner's and renter's insurance is used to protect people from loss in the dwelling. When determining if homeowners or renters insurance is necessary, a person should ask if they could financially afford to replace their home and belongings if a fire were to destroy everything or they were burglarized. If they cannot afford to, they should purchase the appropriate housing insurance. Renter's insurance is not mandatory, but most lenders require individuals to have homeowners insurance if they have a mortgage.

#### Homeowner's Insurance:

##### Property—Required if home is mortgaged

- Includes the garage, house, and other private buildings on a lot and personal possessions.
- Recommended minimum is 80% of replacement cost.

##### Liability—Not required

- Personal—Damage to or theft of personal possessions.
- Medical—Costs of other people hurt on the home's property.
- Other's property—Other's property damaged by self or a family member.

#### Renters Insurance:

Policy covers an individual's personal property, living expenses, and liability coverage.



# HOUSING -TO PURCHASE-

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### Financing Information

APR: 6.0%

Length of Repayment: 30 years  
(Unless otherwise noted)



#### House A

\$259,900—A 1963 sq. ft. three story fixer-upper home featuring 5 bedrooms, 2 bathrooms, family room, living room, laundry room w/ washer/dryer, porch, fenced yard, and 4 car garage.

- Mortgage: \$1,246.59/mo.
- Insurance: \$90.67/mo.
- Property Taxes: \$405.01/mo.
- Repairs & Maintenance: \$433.00/mo.
- Down Payment: \$21,980.00
- Total Interest Paid (over lifetime of loan): \$240,850.76
- Location: Anywhere



#### House B

\$139,900—A 900 sq. ft. condominium featuring 3 bedrooms, 1 bathroom, window air conditioning, extra storage, and pets are allowed.

- Mortgage: \$671.02/mo.
- Condominium Association Fee: \$150.00/mo. (covers water/sewer, garbage, and building maintenance)
- Insurance: \$15.83/mo.
- Property Taxes: \$218.01/mo.
- Repairs & Maintenance: \$83.16/mo.
- Down Payment: \$27,980.00
- Total Interest Paid (over lifetime of loan): \$129,646.10
- Location: Anywhere



#### House C

\$325,000—A 2030 sq. ft. two story home on 1.5 acres featuring 4 bedrooms, 2 bathrooms, full basement, gas fireplace, hot tub, and 1 car garage.

- Mortgage: \$1,558.83/mo.
- Insurance: \$101.42/mo.
- Property Taxes: \$506.67/mo.
- Repairs & Maintenance: \$541.67/mo.
- Down Payment: \$65,000.00
- Total Interest Paid (over lifetime of loan): \$301,179.29
- Location: Anywhere



#### House D

\$109,900—A 1200 sq. ft. single story home featuring 3 bedrooms, 1 bathroom, full basement, central air conditioning, 2 porches, and off-street parking for 3 cars.

- Mortgage: \$527.12/mo.
- Insurance: \$34.50/mo.
- Property Taxes: \$171.26/mo.
- Repairs & Maintenance: \$183.16/mo.
- Down Payment: \$21,980
- Total Interest Paid (over lifetime of loan): \$101,844.94
- Location: Anywhere



#### House E

\$45,500.00 — A 1216 sq. ft. single story mobile home featuring 3 bedrooms, 2 bathrooms, fireplace, porch, and shed.

- Mortgage: \$218.24/mo.
- Lot Rental: \$115.00/mo.
- Insurance: \$25.66/mo.
- Property Taxes: \$70.90/mo.
- Repairs & Maintenance: \$75.83/mo.
- Down Payment: \$9,100.00
- Total Interest Paid (over lifetime of loan): \$42,165.10
- Location: Metro with population under 1 million and Non-Metro only

# HOUSING -TO PURCHASE-

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION



### House F

\$185,500—A 1024 sq. ft. downtown urban apartment featuring 2 bedrooms, 1 bathroom, hardwood floors, patio, and on-site covered parking for one car.

- Mortgage: \$889.73/mo.
- Apartment Building Fee: \$200.00/mo. (covers water/sewer, garbage, and building maintenance)
- Insurance: \$24.73/mo.
- Property Taxes: \$289.07/mo.
- Repairs & Maintenance: \$109.17/mo.
- Down Payment: \$37,100.00
- Total Interest Paid (over lifetime of loan): \$171,903.87
- Location: Metro areas only



### House G

\$203,500—A 2,103 sq. ft. two story house on 1/2 acre featuring 4 bedrooms, 2.5 bathrooms, fireplace, central air, washer/dryer, formal dining room, and 3 car garage.

- Mortgage: \$976.07/mo.
- Insurance: \$78.69/mo.
- Property Taxes: \$317.17/mo.
- Repairs & Maintenance: \$339.17/mo.
- Down Payment: \$40,700.00
- Total Interest Paid (over lifetime of loan): \$188,584.57
- Location: Metro with population under 5 million and Non-Metro only



### House H

\$60,000—A 1032 sq. ft. single story home on 1 acre featuring 2 bedrooms, 2 bathrooms, fireplace, central air conditioning, burglar alarm, and 1 car carport.

- Mortgage: \$287.78/mo.
- Insurance: \$18.96/mo.
- Property Taxes: \$93.50/mo.
- Repairs & Maintenance: \$100.00/mo.
- Down Payment: \$12,000.00
- Total Interest Paid (over lifetime of loan): \$55,602.33
- Location: Anywhere



### House I

\$84,900—A 1,680 sq. ft. two-story townhouse featuring 4 bedrooms, 2.5 bathrooms, washer/dryer, patio, out building, and 2 car carport.

- Mortgage: \$407.21/mo.
- Insurance: \$18.75/mo.
- Property Taxes: \$132.30/mo.
- Repairs & Maintenance: \$141.5/mo.
- Down Payment: \$16,980.00
- Total Interest Paid (over lifetime of loan): \$78,677.30
- Location: Metro areas only



### House J

\$289,900—A 3,800 sq. ft. home on 2 acres featuring 4 bedrooms, 4 bathrooms, office, formal dining room, fireplace, washer/dryer, dishwasher, and 3 car garage.

- Mortgage: \$1,390.48/mo.
- Insurance: \$152.97/mo.
- Property Taxes: \$377.33/mo.
- Repairs & Maintenance: \$483.16/mo.
- Down Payment: \$57,980.00
- Total Interest Paid (over lifetime of loan): \$268,651.93
- Location: Metro with population under 2 million and Non-Metro only



# HOUSING -TO RENT-

LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION



## Rental A

A 1040 sq. ft. apartment featuring 3 bedrooms, 1 bathroom, fully furnished, washer/dryer, air conditioning, pets allowed, and covered parking.

- Rent: \$725.00/mo.
- Includes water/sewer and garbage
- Deposit: \$500.00
- Pets allowed: \$30.00/mo.
- Handicap accessible
- Location: Metro areas only



## Rental C

A 900 sq. ft. house featuring 2 bedrooms, 1 bathroom, air conditioning, washer/dryer, and off street parking for 1 car.

- Rent: \$475.00/mo.
- Utilities not included
- Deposit: \$400.00
- No pets allowed
- Location: Anywhere

## Renter's Insurance

\$15.83/mo. for \$25,000 coverage  
(not required, but recommended)



## Rental B

A 600 sq. ft. apartment featuring 1 bedroom, 1 bathroom, patio, fireplace, pets allowed (20 lb limit), on-site coin laundry, pool, fitness center, golf, and on-street parking.

- Rent: \$550.00/mo.
- Includes water/sewer and garbage
- Deposit: \$400.00
- Pets allowed: \$30.00/mo
- Location: Metro areas only



## Rental D

A 1125 sq. ft. apartment featuring 2 bedrooms, 2 bathrooms, dishwasher, porch, washer/dryer, and garage.

- Rent: \$400.00/mo.
- Includes water/sewer and garbage
- Deposit: \$300.00
- No pets allowed
- Non-smoking
- Location: Anywhere



## Rental E

A 1020 sq. ft. apartment featuring 2 bedrooms, 1 bathroom, air conditioning, dishwasher, washer/dryer, extra storage, on-site pool/hot tub, sundeck, and covered parking.

- Rent: \$800.00/mo.
- Includes water/sewer and garbage
- Laundromat: \$35.00/mo.
- Deposit: \$500.00
- No pets allowed
- Non-smoking
- Handicap assessible
- Location: Metro area with population over 1 million only

# HOUSING -TO RENT-

LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION



## Rental F

A 1450 sq. ft. house featuring 4 bedrooms, 1.5 bathrooms, porch, small yard, washer/dryer, and 1 car garage.

- Rent: \$650.00/mo.
- Utilities not included
- Deposit: \$400.00
- No pets allowed
- Non-smoking
- Location: Metro with population under 5 million and Non-Metro only



## Rental I

A 1500 sq. ft. house featuring 4 bedrooms, 2 bathrooms, washer/dryer, large yard, covered porch, and 1 car garage.

- Rent: \$860.00/mo.
- Utilities not included
- Deposit: \$600.00
- Pets negotiable \$40.00/mo
- Non-smoking
- Location: Anywhere



## Rental H

A 1100 sq. ft. condominium featuring 2 bedrooms, 2 bathrooms, balcony, walk-in closets, on-site free video library, pool, tennis court, coin-laundry facility, and 1 car carport.

- Rent: \$635.00/mo.
- Includes water/sewer and garbage
- Deposit: \$350.00
- No pets allowed
- Non-smoking
- Handicap assessable
- Location: Metro areas only



## Rental G

A 600 sq. ft. mobile home featuring 2 bedrooms and 1 bathroom.

- Rent: \$375.00/mo.
- Utilities not included
- Deposit: \$300.00
- No pets allowed
- Non-smoking
- Location: Metro with population under 1 million and Non-Metro only



## Rental J

A 1800 sq. ft. house featuring 4 bedrooms, 2 bathrooms, hardwood floors, dishwasher, porch, washer/dryer, and 1 car garage.

- Rent: \$900.00/mo.
- Utilities not included
- Deposit: \$600.00
- No pets allowed
- Location: Anywhere

# HOUSING -AMENITIES-

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

Unless noted in the profile or included in rent power, water, and garbage must be recorded in the spending plan. Recycling, internet, home phone, cell phone, cable, and satellite are all optional.

### POWER

- Heat and Electricity: **\$0.07 per sq. ft.**



### WATER/SEWER

- Per person: **\$16.85/mo.**



### GARBAGE

- For one 32-gallon container with pick up once a week: **\$17.50/mo.**



### PHONE LINE IN HOUSE



- Basic package: **\$25.00/mo.**  
Includes only a phone line with long distance and no special services.
- Advanced package: **\$35.00/mo.**  
Includes a phone line with long distance, caller ID, call waiting, and voice mail.
- Super Package: **\$45.00/mo.**  
Includes a phone line with long distance, caller ID, call waiting, voicemail, 3-way calling, and speed dialing.

*Assume set up fee has been paid*

### CELL PHONE



- 500 minutes: **\$39.99/mo.**
  - 900 minutes: **\$59.99/mo.**
  - Unlimited minutes: **\$99.99/mo.**
  - Add a line: **additional \$10.00/mo.**
  - Internet & email: **additional \$49.99/mo.**
- Assume set up fee has been paid*

### INTERNET



- 56K dial-up access: **\$11.35/mo.**
- DSL access: **\$35.00/mo.**
- Wireless access: **\$40.00/mo.**
- High speed: **\$45.00/mo.**

*Assume set up fee has been paid*

### RECYCLING

- Once a week pick up: **\$11.00/mo.**



### CABLE

- Basic Cable: **\$20.25/mo.**  
Includes basic (ABC, CBS, FOX, NBC, PBS) channels only.
- Digital Cable: **\$55.25/mo.**  
Includes basic and expanded channels plus a variety of digital channels.
- Everything Package: **\$84.25/mo.**  
Includes basic and expanded channels with all movie and sports packages

*Assume set up fee has been paid*

### SATELLITE DISH



- Top 50 Package: **\$24.99/mo.**  
Includes 50 channels in family programming, news, and sports.
- Top 200 Package: **\$43.99/mo.**  
Includes 200 channels in family programming, news, sports, movies, and music.
- Total Package: **\$89.99/mo.**  
Includes over 250 channels in family programming, news, sports, movies, and music plus all movie and sports packages and DVR service.

*Assume set up fee has been paid*

# TRANSPORTATION INFORMATION

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### Automobile Operating Costs

Transportation comprises 20% of an individual's budget on average. There are several fixed and flexible operating costs associated with having a vehicle.

- Fixed expenses must be paid on a regular basis including depreciation value, insurance costs, loan payments, interest, parking fees, licensing fees, and registration.
- Flexible expenses vary depending upon the time period including gas, oil, maintenance, and repairs.

### New vs. Used

Characteristics of new vehicles include:

- Not pre-owned, warranty, manufacturer's options, and wide selection.

Characteristics of used vehicles include:

- Costs less to buy, less to insure, depreciate more slowly, wide selection, and may offer warranty.

### Automobile Financing

Most people cannot afford to pay cash to purchase an automobile and therefore have an automobile loan. The overall cost of a loan depends upon:

#### Annual Percentage Rate

- A measure of the cost of credit on a yearly basis expressed as a percentage.

#### Down Payment

- The amount of money paid on the automobile at the time of purchase.

#### Principle Loan Amount

- The amount of the loan after subtracting the down payment and/or trade-in price from the negotiated price of the automobile before adding interest and fees.

#### Time Period

**Depreciation** is the loss in a vehicle's value because of time and use.

### Automobile Insurance

Liability insurance is the only type of insurance required by law. However, additional types of coverage are available and can be included with liability in a basic full-coverage auto-insurance policy.

#### Liability Mandatory

- Covers the insured if bodily injuries or property damages are caused to other people or their property.

#### Medical Payment Optional

- Covers hospital and medical bills related to injuries sustained by the driver of the insured vehicle or any passenger regardless of fault.

#### Uninsured/Underinsured Motorists Optional

- Covers injury or damage to the driver, passengers, or vehicle caused by a driver with insufficient auto insurance to cover the losses of the accident. This includes drivers who choose not to carry auto insurance.

#### Physical Damage (Collision and/or Comprehensive) Required by lender of car loan

- Covers most physical damage losses caused to the vehicle.



# TRANSPORTATION –NEW VEHICLES–

LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION



**\$11,934**

## Mazda MAZDA3

- Payment: \$212.68/mo.
- Insurance: \$120.32/mo.
- Fuel Costs: \$148.82/mo.
- Repairs & Maintenance: \$56.43/mo.
- Down Payment: \$1,193.40
- Total Interest Paid (over lifetime of loan): \$2,020.20

## Financing Information

APR: 7.0%

Length of Repayment: 5 years



**\$32,690**

## Dodge Ram

- Payment: \$582.57/mo.
- Insurance: \$193.05/mo.
- Fuel Costs: \$260.83/mo.
- Repairs & Maintenance: \$61.95/mo.
- Down Payment: \$3,269.00
- Total Interest Paid (over lifetime of loan): \$5,533.20



**\$19,760**

## Kia Sedona

- Payment: \$352.14/mo.
- Insurance: \$137.95/mo.
- Fuel Costs: \$216.92/mo.
- Repairs & Maintenance: \$51.93/mo.
- Down Payment: \$1,976.00
- Total Interest Paid (over lifetime of loan): \$3,344.40



**\$20,082**

## Jeep Wrangler

- Payment: \$357.88/mo.
- Insurance: \$11.43/mo.
- Fuel Costs: \$242.62/mo.
- Repairs & Maintenance: \$66.87/mo.
- Down Payment: \$2,008.20
- Total Interest Paid (over lifetime of loan): \$3,399.00



**\$25,650**

## Subaru Outback

- Payment: \$457.11/mo.
- Insurance: \$109.65/mo.
- Fuel Costs: \$180.17/mo.
- Repairs & Maintenance: \$65.68/mo.
- Down Payment: \$2,565.00
- Total Interest Paid (over lifetime of loan): \$4,341.60

# TRANSPORTATION –NEW VEHICLES–

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION



\$56,760

### Cadillac Escalade

- Payment: \$1,011.52/mo.
- Insurance: \$221.87/mo.
- Fuel Costs: \$285.08/mo.
- Repairs & Maintenance: \$109.30/mo.
- Down Payment: \$5,676.00
- Total Interest Paid (over lifetime of loan): \$9,607.20



\$15,667

### Honda Civic

- Payment: \$279.20/mo.
- Insurance: \$132.62/mo.
- Fuel Costs: \$138.30/mo.
- Repairs & Maintenance: \$56.53/mo.
- Down Payment: \$1,566.70
- Total Interest Paid (over lifetime of loan): \$2,651.70



\$13,302

### Chevrolet Cobalt

- Payment: \$237.06/mo.
- Insurance: \$134.57/mo.
- Fuel Costs: \$138.93/mo.
- Repairs & Maintenance: \$74.80/mo.
- Down Payment: \$1,330.20
- Total Interest Paid (over lifetime of loan): \$2,251.80



\$27,428

### Toyota Camry Hybrid

- Payment: \$488.80/mo.
- Insurance: \$140.45/mo.
- Fuel Costs: \$120.35/mo.
- Repairs & Maintenance: \$72.67/mo.
- Down Payment: \$2,742.80
- Total Interest Paid (over lifetime of loan): \$4,642.80



\$13,130

### Ford Ranger

- Payment: \$233.99/mo.
- Insurance: \$136.70/mo.
- Fuel Costs: \$174.83/mo.
- Repairs & Maintenance: \$70.82/mo.
- Down Payment: \$1,313.00
- Total Interest Paid (over lifetime of loan): \$2,222.40

# TRANSPORTATION –USED VEHICLES–

LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION



\$18,920

## 2005 Pontiac Bonneville

- Payment: \$337.17/mo.
- Insurance: \$137.77/mo.
- Fuel Costs: \$253.23/mo.
- Repairs & Maintenance: \$102.40/mo.
- Mileage: 38,907
- Down Payment: \$1,892.00
- Length of Repayment: 5 years
- Total Interest Paid (over lifetime of loan): \$3,202.20

## Financing Information

APR: 7.0%



\$28,939

## 2006 Infiniti QX56

- Payment: \$515.72/mo.
- Insurance: \$186.90/mo.
- Fuel Costs: \$295.68/mo.
- Repairs & Maintenance: \$116.82/mo.
- Mileage: 53,645
- Down Payment: \$2,893.90
- Length of Repayment: 5 years
- Total Interest Paid (over lifetime of loan): \$4,898.10



\$1,695

## 1996 Mercury Sable

- Payment: \$47.10/mo.
- Insurance: \$99.85/mo.
- Fuel Costs: \$195.58/mo.
- Repairs & Maintenance: \$118.30/mo.
- Mileage: 177,430
- Down Payment: \$169.50
- Length of Repayment: 3 years
- Total Interest Paid (over lifetime of loan): \$170.10



\$12,750

## 2007 Hyundai Entourage

- Payment: \$354.31/mo.
- Insurance: \$122.55/mo.
- Fuel Costs: \$220.52/mo.
- Repairs & Maintenance: \$63.52/mo.
- Mileage: 37,586
- Down Payment: \$1,275.00
- Length of Repayment: 3 years
- Total Interest Paid (over lifetime of loan): \$1,280.16



\$5,425

## 2003 Nissan Frontier

- Payment: \$150.76/mo.
- Insurance: \$118.65/mo.
- Fuel Costs: \$285.00/mo.
- Repairs & Maintenance: \$123.37/mo.
- Mileage: 129,369
- Down Payment: \$542.50
- Length of Repayment: 3 years
- Total Interest Paid (over lifetime of loan): \$544.86



# TRANSPORTATION –USED VEHICLES–

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION



\$23,760  
2007 Audi A4

- Payment: \$423.43/mo.
- Insurance: \$132.43/mo.
- Fuel Costs: \$185.08/mo.
- Repairs & Maintenance: \$126.15/mo.
- Mileage: 15,224
- Down Payment: \$2,376.00
- Length of Repayment: 5 years
- Total Interest Paid (over lifetime of loan): \$4,021.80



\$3,995  
2004 Saturn ION

- Payment: \$111.02/mo.
- Insurance: \$98.35/mo.
- Fuel Costs: \$155.40/mo.
- Repairs & Maintenance: \$117.60/mo.
- Mileage: 111,746
- Down Payment: \$399.50
- Length of Repayment: 3 years
- Total Interest Paid (over lifetime of loan): \$401.22



\$9,467  
2006 Suzuki Grand Vitara

- Payment: \$263.08/mo.
- Insurance: \$121.48/mo.
- Fuel Costs: \$224.05/mo.
- Repairs & Maintenance: \$96.08/mo.
- Mileage: 48,552
- Down Payment: \$946.70
- Length of Repayment: 3 years
- Total Interest Paid (over lifetime of loan): \$950.58



\$900  
1990 Plymouth Grand Voyager

- Payment: \$56.24/mo.
- Insurance: \$94.97/mo.
- Fuel Costs: \$257.57/mo.
- Repairs & Maintenance: \$114.93/mo.
- Mileage: 245,233
- Down Payment: \$250.00
- Length of Repayment: 1 year
- Total Interest Paid (over lifetime of loan): \$24.91



\$9,900  
2002 GMC Sierra

- Payment: \$275.11/mo.
- Insurance: \$140.08/mo.
- Fuel Costs: \$252.65/mo.
- Repairs & Maintenance: \$107.02/mo.
- Mileage: 82,000
- Down Payment: \$990.00
- Length of Repayment: 3 years
- Total Interest Paid (over lifetime of loan): \$993.96

# TRANSPORTATION -ALTERNATIVES-

LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION



\$249.99

New Classic SS

- Payments: \$20.83/mo.
- Repairs: \$10.00/mo.
- Length of Repayment: 1 year
- Interest Rate: 0%



\$75

Used Columbia Clipper

- One Time Payment: \$75.00
- Repairs: \$10.00/mo.



\$239.00

Razor E300S Electric Scooter

- Payments: \$19.92/mo.
- Repairs: \$10.00/mo.
- Length of Repayment: 1 year
- Interest Rate: 0%



\$7,099

New Yamaha FZ6

- Payments: \$197.28/mo.
- Insurance: \$108.00/mo.
- Gas: \$100.00/mo.
- Repairs: \$25.00/mo.
- Down Payment: \$709.90
- Length of Repayment: 3 years
- Interest Rate: 7.0%
- Total Interest Paid (over lifetime of loan): \$712.98



\$1,600

Used Honda NightHawk  
CB650SC

- Payments: \$44.46/mo.
- Insurance: \$33.00/mo.
- Gas: \$100.00/mo.
- Repairs: \$50.00/mo.
- Down Payment: \$160.00
- Length of Repayment: 3 years
- Interest Rate: 7.0%
- Total Interest Paid (over lifetime of loan): \$160.56



Subway Pass

- Price Per Fare: \$2.00
- Price Per Month: \$70.00
- Available Areas: metro with population greater than or equal to 2 million only



Taxi Service

- Initial Fee: \$2.50
- Per Mile Fee: \$2.00
- 1 Roundtrip Ride a Week: \$62.00/mo.
- 5 Roundtrip Rides a Week: \$310.00/mo.
- Available Areas: metro only



Bus Pass

- Price Per Fare: \$1.50
- Price Per Month: \$54.00
- Available Areas: metro only

# INSURANCE INFORMATION

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### What is Insurance?

Individuals are continually exposed to risks. One encounters risks during every moment of life.

- **Risk** is uncertainty about a situation's outcome.
- **Insurance** is an arrangement between an individual (consumer) and an insurer (insurance company) to protect the individual against risk.

The purpose of insurance is to limit an individual's financial losses when an accident occurs. When people buy insurance, they transfer part of the risk of financial loss to the insurance company and exchange unexpected expenses from an accident for regular expenses by paying the insurer a premium.

### Basic Insurance Terminology

- **Policy**- A contract between the individual and the insurer purchased by the individual specifying the terms of the insurance arrangement. The policy will include the costs of the premium and deductible, which will vary according to specific types of insurance and the terms of the policy.
- **Premium**- The fee paid to the insurer by the consumer for insurance coverage according to the specified terms.
- **Deductible**- The amount paid out of pocket by the policy holder for the initial portion of a loss before the insurance coverage begins.
- **Policyholder**- The consumer who purchased the insurance policy.

### Health Insurance

Health care costs are extremely high and it can be hard for the average person to afford health care. Large medical expenses could eliminate an individual's savings. To protect individuals from this risk, health insurance can be purchased. **Health insurance** provides protection against financial losses resulting from injury, illness, and disability. The purpose is to provide coverage for medical expenses, both emergency and routine. Health insurance may include hospital, surgical, dental, vision, long-term care, prescription, and other major expenditures. What is included varies depending upon the terms of the policy. Health insurance may be purchased individually or through an employer. If an employer contributes to an employee's health insurance costs, typically the remaining balance not covered is deducted from the employee's paycheck. Children may be covered under their parent's health insurance until they are 19 or while they are in college.

### Life Insurance

**Life insurance** is a contract specifying a sum to be paid to a beneficiary on the insured's death. The **contract** is a policy which states the amount to be paid to the beneficiary upon the insured person's death. A **beneficiary** is the recipient of any policy proceeds if the insured person dies. A **dependent** is a person who relies on someone else financially. Life insurance is not necessary if a person is single with no dependents. Life insurance is necessary for people who have a dependent spouse, dependent children, and aging or disabled dependent relative, or are business owners.

### Disability Insurance

To prevent the risk of losing income from a disability, insurance is available. **Disability insurance** replaces a portion of one's income if they become unable to work due to illness or injury. The insurance typically pays between 60%–70% of one's full time wage. It never pays 100% of the wages so there is incentive to go back to work. The amount of coverage varies due to a number of factors including the length and severity of the disability.

# INSURANCE –HEALTH & DISABILITY–

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### Health Insurance

#### Single Coverage:

- This policy includes a \$500 deductible and 20% co-insurance. This means the client pays for all medical services up to \$500. After the deductible has been met, the client pays 20% (co-insurance) and the insurance company pays 80% for medical services. The co-insurance maximum a client pays is \$1,500 for single coverage.
- **Example:** Client A is single and age 32. Client A's monthly premium cost for health insurance would be \$221.00.

#### Single Plus Dependent Coverage:

- This policy includes a \$500 deductible and 20% co-insurance. This means the client pays for all medical services up to \$500. After the deductible has been met, the client pays 20% (co-insurance) and the insurance company pays 80% for medical services. The co-insurance maximum a client pays is \$2,250 for single plus dependent coverage.
- **Example:** Client B is single, age 27, and has a dependent. Client B's monthly premium cost for health insurance would be \$290.00.

#### Family Coverage:

- This policy includes a \$1,000 deductible and 20% co-insurance. This means the client pays for all medical services up to \$1,000. After the deductible has been met, the client pays 20% (co-insurance) and the insurance company pays 80% for medical services. The co-insurance maximum a client pays is \$3,000 for family coverage.
- When determining what the monthly cost would be for family coverage, use the oldest spouse's age as the base for the monthly premium cost.
- **Example:** Client C is married, age 52, and has a spouse age 48. Since 52 is the oldest age, Client C's monthly premium cost for health insurance for the family would be \$909.00.

Major Medical Policy *Monthly Premium*

| Age   | Single   | Single Plus Dependent | Family     |
|-------|----------|-----------------------|------------|
| 19—24 | \$179.00 | \$269.00              | \$468.00   |
| 25—29 | \$193.00 | \$290.00              | \$543.00   |
| 30—34 | \$221.00 | \$332.00              | \$590.00   |
| 35—39 | \$235.00 | \$353.00              | \$627.00   |
| 40—44 | \$303.00 | \$455.00              | \$682.00   |
| 45—49 | \$364.00 | \$546.00              | \$819.00   |
| 50—54 | \$422.00 | \$625.00              | \$909.00   |
| 55—59 | \$511.00 | \$690.00              | \$1,052.00 |
| 60—64 | \$587.00 | \$764.00              | \$1,210.00 |

### Disability Insurance

Disability insurance rates are priced according to several factors including coverage, occupation, age, and gender. It can be inexpensive or expensive depending upon what type of plan is chosen. A consumer pays approximately 2% of his/her annual net income for disability insurance.

To calculate the monthly cost of disability insurance, multiply the annual net income by .02, then divide by 12.

#### **Example:**

Annual net income: \$24,678  
 2% of annual net income:  $\$24,678 \times .02 = \$495.36$   
 Divide by 12:  $\$495.36 / 12 = \$41.28$   
 Monthly cost of disability insurance: \$41.28



# INSURANCE –LIFE–

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

Prices based on a 20—year life insurance policy.

| Male—\$100,000 policy<br>Monthly Premium |             |          |
|--|-------------|----------|
| Age                                      | Non-tobacco | Tobacco  |
| 25                                       | \$13.36     | \$22.23  |
| 35                                       | \$15.05     | \$28.09  |
| 45                                       | \$27.18     | \$58.99  |
| 55                                       | \$57.97     | \$126.65 |

| Female—\$100,000 policy<br>Monthly Premium |             |         |
|--|-------------|---------|
| Age  | Non-tobacco | Tobacco |
| 25   | \$11.22     | \$17.63 |
| 35   | \$13.24     | \$22.67 |
| 45   | \$21.17     | \$43.59 |
| 55   | \$39.97     | \$81.57 |

| Male—\$250,000 policy<br>Monthly Premium |             |          |
|--|-------------|----------|
| Age                                      | Non-tobacco | Tobacco  |
| 25                                       | \$23.00     | \$43.33  |
| 35                                       | \$26.43     | \$57.75  |
| 45                                       | \$53.86     | \$129.56 |
| 55                                       | \$128.98    | \$286.12 |

| Female—\$250,000 policy<br>Monthly Premium |             |          |
|--|-------------|----------|
| Age  | Non-tobacco | Tobacco  |
| 25   | \$18.69     | \$32.35  |
| 35   | \$22.83     | \$44.41  |
| 45   | \$41.00     | \$90.83  |
| 55   | \$85.72     | \$179.07 |

| Male—\$500,000 policy<br>Monthly Premium |             |          |
|--|-------------|----------|
| Age                                      | Non-tobacco | Tobacco  |
| 25                                       | \$39.87     | \$80.76  |
| 35                                       | \$47.00     | \$109.57 |
| 45                                       | \$101.58    | \$251.81 |
| 55                                       | \$249.76    | \$561.07 |

| Female—\$500,000 policy<br>Monthly Premium |             |          |
|--|-------------|----------|
| Age  | Non-tobacco | Tobacco  |
| 25   | \$31.67     | \$59.23  |
| 35   | \$39.92     | \$82.91  |
| 45   | \$76.22     | \$174.51 |
| 55   | \$164.77    | \$352.12 |

# COST OF FOOD AT HOME

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

- The following chart represents the average monthly cost of food which is purchased at stores and prepared at home for individuals and two person families.
- To use the chart, decide which food plan to use and find the corresponding age and gender to find the dollar amount.
- For families with children, refer to the *Costs of Raising Children information sheet* to determine the amount of money spent on food.
- **Example:** A 20 year-old male who chooses a liberal plan would plan to pay approximately \$340.60 each month for the cost of food at home. A married couple, age 32 and 34, who chooses a low-cost plan would pay approximately \$458.90 each month for the cost of food at home.

### Official USDA Food Plans January 2009 U.S. Average Cost of Food at Home

| AGE-GENDER GROUPS   | MONTHLY COST |               |                    |              |
|---------------------|--------------|---------------|--------------------|--------------|
|                     | Thrifty plan | Low-cost plan | Moderate-cost plan | Liberal plan |
| <b>INDIVIDUALS</b>  |              |               |                    |              |
| <b>MALE:</b>        |              |               |                    |              |
| 14-18 years         | \$162.50     | \$226.60      | \$282.00           | \$323.90     |
| 19-50 years         | \$173.80     | \$223.10      | \$278.60           | \$340.60     |
| 51-70 years         | \$159.30     | \$211.50      | \$258.40           | \$313.20     |
| 71 years and over   | \$159.30     | \$208.90      | \$259.40           | \$318.60     |
| <b>FEMALE:</b>      |              |               |                    |              |
| 19-50 years         | \$154.10     | \$194.10      | \$238.50           | \$305.80     |
| 51-70 years         | \$153.20     | \$189.50      | \$234.90           | \$279.30     |
| 71 years and over   | \$150.40     | \$187.50      | \$233.80           | \$281.00     |
| <b>FAMILIES</b>     |              |               |                    |              |
| <b>FAMILY OF 2:</b> |              |               |                    |              |
| 19-50 years         | \$360.70     | \$458.90      | \$568.90           | \$711.00     |
| 51-70 years         | \$343.70     | \$441.10      | \$542.60           | \$651.70     |

# COST OF RAISING CHILDREN -SINGLE-

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### How to use the following charts:

- The following charts are estimated monthly costs for raising a child in 2007 from the USDA Expenditures on Children by Families report. Each chart is dependent upon parental marital status and income level. Use the chart which fits the information from the personal profile.
- If the assigned profile includes children, the costs must be included into the spending plan for each child.
  - *Exception:* If child care is specified in the profile, do not include child care costs.

### Category Descriptions:

- **Food:** includes food and non-alcoholic beverages purchased at grocery, convenience, and specialty stores including purchases with food stamps, dining at restaurants, and expenses for school meals.
- **Clothing:** includes children's apparel such as diapers, shirts, pants, dresses, and suits; footwear; and clothing services such as dry cleaning, alterations, repair, and storage.
- **Health Care:** includes medical and dental services, prescription drugs and medical supplies not covered by insurance, and health insurance premiums not paid by employer or other organization.
- **Child Care & Education:** includes day care tuition and supplies, baby-sitting, elementary and high school tuition, books, and supplies.
- **Miscellaneous:** includes personal care items, entertainment, and reading materials.

### Instructions:

- For an only child, multiply the expenses for the appropriate age category by 1.35.
- For two children, add the expenses for each appropriate age category.
- For three or more children, multiply the expenses for each appropriate age category by 0.72 then sum the totals.

| Single-parent family with annual gross income less than \$45,800 annually |          |          |             |                        |               |          |
|---|----------|----------|-------------|------------------------|---------------|----------|
| *Based on overall U.S. expenditures                                       |          |          |             |                        |               |          |
| Age of Child  | Food     | Clothing | Health Care | Child Care & Education | Miscellaneous | Total    |
| 0-2   | \$98.33  | \$25.83  | \$24.17     | \$63.33                | \$35.00       | \$246.66 |
| 3-5   | \$103.33 | \$27.50  | \$35.00     | \$86.67                | \$46.67       | \$299.17 |
| 6-8   | \$130.83 | \$32.50  | \$41.67     | \$78.33                | \$62.50       | \$345.83 |
| 9-11  | \$151.67 | \$32.50  | \$52.50     | \$37.50                | \$50.00       | \$324.17 |
| 12-14   | \$151.67 | \$55.00  | \$55.83     | \$47.50                | \$48.33       | \$358.33 |
| 15-17   | \$165.00 | \$64.17  | \$55.00     | \$36.67                | \$55.83       | \$376.67 |

| Single-parent family with annual gross income more than \$45,800 annually |          |          |             |                        |               |          |
|---|----------|----------|-------------|------------------------|---------------|----------|
| *Based on overall U.S. expenditures                                       |          |          |             |                        |               |          |
| Age of Child  | Food     | Clothing | Health Care | Child Care & Education | Miscellaneous | Total    |
| 0-2   | \$151.67 | \$36.67  | \$55.00     | \$155.83               | \$146.67      | \$545.84 |
| 3-5   | \$160.83 | \$38.33  | \$73.33     | \$195.00               | \$157.50      | \$624.99 |
| 6-8   | \$193.33 | \$44.17  | \$84.17     | \$182.50               | \$174.17      | \$678.34 |
| 9-11  | \$232.50 | \$45.00  | \$101.67    | \$106.67               | \$161.67      | \$647.51 |
| 12-14   | \$227.50 | \$74.17  | \$106.67    | \$151.67               | \$159.17      | \$719.18 |
| 15-17   | \$240.83 | \$85.00  | \$105.83    | \$123.33               | \$167.50      | \$722.45 |



# COST OF RAISING CHILDREN -TWO PARENT-

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

### Instructions:

- To estimate expenses for an only child, multiply the expense for the appropriate age category by 1.24.
- To calculate expenses for two children, figures should be summed for the appropriate age categories.
- To estimate expenses for three or more children, multiply the expenses for each appropriate age category by 0.77 and then sum the totals.

### Two-parent families with annual gross income less than \$45,800

\*Based on overall U.S. expenditures

| Age of Child | Food     | Clothing | Health Care | Child Care & Education | Miscellaneous | Total     |
|--------------|----------|----------|-------------|------------------------|---------------|-----------|
| 0-2          | \$89.17  | \$28.33  | \$50        | \$101.67               | \$58.33       | \$ 327.50 |
| 3-5          | \$91.17  | \$28.33  | \$47.50     | \$114.17               | \$60.00       | \$341.17  |
| 6-8          | \$127.50 | \$30.83  | \$54.17     | \$67.50                | \$63.33       | \$343.33  |
| 9-11         | \$152.50 | \$35.00  | \$59.17     | \$40.83                | \$66.67       | \$354.17  |
| 12-14        | \$160.83 | \$58.33  | \$60.00     | \$28.33                | \$83.33       | \$390.82  |
| 15-17        | \$173.33 | \$51.67  | \$64.17     | \$48.33                | \$60.83       | \$398.33  |

### Two-parent families with annual gross income between \$45,800 and \$77,100

\*Based on overall U.S. expenditures

| Age of Child | Food     | Clothing | Health Care | Child Care & Education | Miscellaneous | Total    |
|--------------|----------|----------|-------------|------------------------|---------------|----------|
| 0-2          | \$106.67 | \$34.17  | \$65.00     | \$166.67               | \$90.83       | \$463.34 |
| 3-5          | \$122.50 | \$33.33  | \$62.50     | \$184.17               | \$92.50       | \$495    |
| 6-8          | \$156.67 | \$36.67  | \$70.83     | \$118.33               | \$95.83       | \$478.33 |
| 9-11         | \$184.17 | \$40.00  | \$76.67     | \$77.50                | \$99.17       | \$477.51 |
| 12-14        | \$185.83 | \$68.33  | \$77.50     | \$56.67                | \$115.83      | \$504.16 |
| 15-17        | \$206.67 | \$60.83  | \$81.67     | \$97.50                | \$93.33       | \$540.00 |

### Two-parent families with annual gross income more than \$77,100

\*Based on overall U.S. expenditures

| Age of Child | Food     | Clothing | Health Care | Child Care & Education | Miscellaneous | Total    |
|--------------|----------|----------|-------------|------------------------|---------------|----------|
| 0-2          | \$140.83 | \$44.17  | \$75.00     | \$251.67               | \$151.67      | \$663.34 |
| 3-5          | \$159.17 | \$43.33  | \$71.67     | \$274.17               | \$153.33      | \$701.67 |
| 6-8          | \$192.50 | \$47.50  | \$82.50     | \$188.33               | \$156.67      | \$667.50 |
| 9-11         | \$223.33 | \$51.67  | \$88.33     | \$131.67               | \$160.00      | \$655.00 |
| 12-14        | \$235.00 | \$85.83  | \$89.17     | \$100.83               | \$176.67      | \$687.50 |
| 15-17        | \$247.50 | \$78.33  | \$93.33     | \$176.67               | \$155.00      | \$750.83 |

# AVERAGE EXPENDITURES

## LIFE IN THE UNITED STATES...A FAMILY FINANCE SIMULATION

For the simulation, the following flexible expenses indicate what families spend, on average, in each category based upon their household gross annual income.

- Low = \$30,000 per year or less
- Median = \$30,000/yr. to \$80,000/yr.
- High = \$80,000/yr. or more

When including these flexible expenses keep in mind that:

- Families may spend more or less than the average;
- Almost all families have at least some expenses in each category;
- Be sure to consider family size and values to make realistic recommendations;
- If a part of the cost was already in the profile it may be reduced here.

### Flexible Expenses

| HOUSING  |  | HEALTH CARE  |  |
|--|--|--|--|
| Housekeeping Supplies<br>→ Laundry, cleaning, lawn, garden and stationery supplies, etc.                   | → Low: \$24.00/mo.<br>→ Median: \$83.00/mo.<br>→ High: \$142.00/mo.  | Drugs/Medical Supplies<br>→ Nonprescription drugs, vitamins, antiseptics, bandages, thermometers, vaporizers, etc. | → Low: \$27.00/mo.<br>→ Median: \$55.00/mo.<br>→ High: \$84.00/mo.   |
| Furniture<br>→ Living room, dining room, bedroom, and outdoor furniture, etc.                              | → Low: \$10.00/mo.<br>→ Median: \$83.00/mo.<br>→ High: \$155.00/mo.  | Other  |  |
| ENTERTAINMENT  |  | APPAREL & SERVICES   |  |
| Appliances and housewares<br>→ Microwaves, vacuum cleaners, dinnerware, cookware, etc.                     | → Low: \$12.00/mo.<br>→ Median: \$40.00/mo.<br>→ High: \$68.00/mo.   | Men's Clothing<br>→ Coats, shirts, slacks, sportswear, etc.  | → Low: \$8.00/mo.<br>→ Median: \$54.00/mo.<br>→ High: \$99.00/mo.    |
| Other  |  | Women's Clothing<br>→ Coats, blouses, dresses, pants, uniforms, etc.   | → Low: \$22.00/mo.<br>→ Median: \$89.00/mo.<br>→ High: \$155.00/mo.  |
| Fees and admissions<br>→ Sporting events, movies, concerts, etc.   | → Low: \$90.00/mo.<br>→ Median: \$124.00/mo.<br>→ High: \$239.00/mo. | Footwear<br>→ Shoes, slippers, boots, socks, etc.  | → Low: \$12.00/mo.<br>→ Median: \$43.00/mo.<br>→ High: \$173.00/mo.  |
| Audio visual equipment<br>→ Televisions, DVD players, DVDs, CDs, etc.                                      | → Low: \$46.00/mo.<br>→ Median: \$108.00/mo.<br>→ High: \$171.00/mo. | Other  |  |
| FOOD AWAY FROM HOME  |  | CONTRIBUTIONS  |  |
| Food away from home<br>→ Restaurants, school meals, vending machines, etc.                                 | → Low: \$88.00/mo.<br>→ Median: \$322.00/mo.<br>→ High: \$556.00/mo. | Cash contributions<br>→ Cash gifts to persons outside immediate family, contributions to charitable organizations. | → Low: \$60.00/mo.<br>→ Median: \$324.00/mo.<br>→ High: \$589.00/mo. |
| PERSONAL CARE  |  | EDUCATION & READING  |  |
| Personal care products & services<br>→ Soap, hair products, shavings needs, cosmetics, bath products, etc. | → Low: \$24.00/mo.<br>→ Median: \$69.00/mo.<br>→ High: \$113.00/mo.  | Education<br>→ Tuition, fees, textbooks, supplies, equipment, etc.   | → Low: \$28.00/mo.<br>→ Median: \$181.00/mo.<br>→ High: \$333.00/mo. |
|  |  | Reading<br>→ Books, newspaper and magazine subscriptions, newsletters, etc.  | → Low: \$6.00/mo.<br>→ Median: \$15.00/mo.<br>→ High: \$25.00/mo.    |