

The Financial Fluency Cases

CASE STUDY TEAMS

Case Study Team Questions

1. Meet your character for the next week: Rudy, Christine, Stephen, Frances.
2. Create your corresponding budgets based on the information provided.
3. Identify expenses within the budget as “Needs” or “Wants,” or some combination of the two.
4. Looking at expenses, what adjustments can be made to create more opportunities for financial freedom? During the week this will be one of your tasks for the case study. Go online. Research opportunities for transportation, for communication (cell phone plans), for housing, for groceries. Get a feel and understanding of prices so that you can use your money to the maximum. If you are interested in a car, look into a car publication to learn more about options. There is no limit to your choices or creativity (except for your financial situation).
5. How can your individual be free of credit card debt (or other high interest loans) in 5 years? In 3 years? In Christine’s case, do research on the term “credit score” and how she might be able to improve this so that she can borrow money for a house.
6. What savings and investment plan would you suggest, looking at goals at 30 years old, 45 years old and 65 years old?

Case #1

Rudy, Part-Time Service Jobs

Rudy, 20 years old, left high school after 10th grade. After moving from city to city, he ended up in Boston. Rudy now works two jobs, one at a fast food restaurant and one at a family department store. He makes a total of \$18,000 before tax. He has \$3,500 in credit card debt (interest rate of 25%). He also drives a car that constantly needs repairing, and has a high insurance premium because of a previous driving incident.

Vital Stats:

- 20 years old
- Pre-tax salary \$18,000; income tax rate of 15%
- Rent - \$700/month
- Utilities - \$100/month
- Owns used car, which is worth \$1000
- Car maintenance - \$150/month
- Car insurance - \$150/month
- Gas - \$100/month
- iPhone for \$120/month (iPhone is worth \$120)
- Rudy's jobs do not provide health insurance; he has the option to purchase his own health insurance for \$125 through a subsidized insurance program for low-income individuals
- Purchases \$250 in groceries per month
- Credit card debt of \$3,500, at 25% interest; minimum payment is \$90 per month
- Other monthly expenses:
 - o \$30 of new clothes
 - o \$20 on personal products
 - o \$20 on gifts
 - o \$30 on haircuts
 - o \$20 monthly video rental program
 - o \$30 for basic cable
 - o Spends \$120 a month (\$4/day) on miscellaneous expenses (e.g., coffees, snacks)

Case #2

Stephen, Bachelors of Arts in Accounting and Finance, Entry-Level Accountant

Stephen is 24 years old and graduated from Bentley College with a bachelors degree in finance and accounting. He is making a gross (pre-tax) salary of \$41,000 as a first-year accounting associate. During college and immediately after college, Stephen got into \$7,500 of credit card debt and he pays \$10 more than the minimum payment (pays monthly payment of \$200).

Vital Stats:

- 24 years old
- Pre-tax salary of \$41,000; income tax rate of 20%
- Most basic healthcare option, deducted from his salary, costs \$100/month
- Puts in \$60/month into his savings account
- Rent - \$1,300/month living by himself in a studio apartment in Cambridge, MA
- Utilities - \$130/month
- Basic cell phone for \$80/month
- Cable with premium channels - \$70/month
- Internet - \$40/month
- Takes public transport - \$60/month
- Credit card debt of \$7,500 at 22% interest rate; minimum monthly payment of \$190
- Purchases \$200 in groceries per month
- Spends \$50 on entertainment every weekend (\$200/month)
- Member of luxury gym - \$120/month
- Paying off college student loans - \$200/month
- Other monthly expenses:
 - o \$50 of new clothes
 - o \$20 on personal products
 - o \$50 on gifts
 - o \$20 on haircuts
 - o Gives \$10/month to the American Cancer Society

Case #3

Christine, Associates Degree as a Computer Technician

Christine graduated from Marymount College with an associates degree as a computer technician. She is making \$32,000 a year at an electronics company just outside of Boston. She loves what she is doing, and wants to eventually buy a house in the area. What Christine realizes, however, is that it's going to be very hard to achieve her financial dreams based on her current salary. Also, it may be difficult for her to secure a loan because 4 years ago, while she was at Marymount, she defaulted on two credit cards. As a result, her credit score is very low (530), and not suitable for obtaining a home loan. One of Christine's passions, ever since she was a young girl, has been baking – a family specialty is her spiced, chocolate torte, originally from the Caribbean. In the next 5 years, she wants to save \$15,000 to cover a housing deposit and to launch a specialty, spiced chocolate cake business to supplement her income. What are some other strategies for Christine to increase her income?

Vital Stats:

- 23 years old
- Pre-tax salary of \$32,000; income tax rate of 20%
- Healthcare insurance, deducted from her salary, costs \$100/month
- Rent - \$600 living with a roommate
- Utilities - \$90/month
- Basic phone for \$70/month
- Basic cable for \$15/month
- Internet for \$50/month
- Owes \$1,200 based on college credit cards that she defaulted on; minimum payment of \$30
- Student loans - \$100/month
- Purchases \$200 in groceries per month
- Entertainment and miscellaneous expenses (\$60 per month)
- Gym membership - \$40/month
- Other monthly expenses:
 - o \$40 of new clothes per month
 - o \$30 on personal products
 - o \$20 on gifts
 - o \$20 on haircuts
 - o \$60 on public transport

Case #4

Frances, Bachelor of Arts in Political Science and Juris Doctorate (JD); practicing law in New York City

Frances, 26 years old, graduated at the top of her class at law school. Frances moved to New York and started specializing in entertainment law. Frances likes to spend and she settles for nothing but the best... the best clothes, the best shoes, extravagant weekend getaways and a luxury New York apartment. She is often invited to glitzy media parties, expensive restaurants, and trendy nightclubs. During college and law school, Francis accumulated \$6,000 in credit card debt and \$200,000 in educational loans. Today, Frances makes \$125,000 a year with her firm, and seems to be on the fast-track for success if she can keep impressing her colleagues and balancing this with her high octane social life.

Vital Stats:

- 26 years old
- Pre-tax salary of \$125,000; income tax rate of 40%
- Healthcare insurance, deducted from her salary, costs \$160/month
- Puts in \$100/month into her retirement investment account
- Rent - \$3,500/month living in a single, luxury apartment in Manhattan
- Utilities - \$200/month
- Premium iPhone package for \$140/month
- Top cable TV package - \$120/month
- Internet - \$60/month
- Credit card debt of \$6,000 at 22% interest rate; minimum payment of \$150/month
- Student loans - \$2,000/month
- Electronics and furniture (Italian leather sofa, plasma TV, top-of-the line sound system)
- Purchases \$400 in groceries per month (steaks, gourmet foods)
- Entertainment and miscellaneous expenses (\$1,200 per month, approximately \$300 each weekend at clubs and award-winning restaurants)
- Member of a luxury gym and spa - \$140/month
- Other monthly expenses:
 - o \$1200 of new clothes per month (designer clothes and bags, jeans, shoes and handbags)
 - o \$100 on personal products
 - o \$100 on gifts
 - o \$80 on hairstyling
 - o Vacation expenses of \$500 per month (\$6,000 annually)
 - o \$300 per month on taxis