The Carson Family

	Total Points Earned
43	Total Points Possible
	Percentage

Name Gian Furlanetto

Date

Class 1st

Directions: Read the scenario below to learn about the Carson family. While reading, underline any financial goals the family has identified and circle any changes that can be made to their financial decisions to help them reach their financial goals. (5 points for completion)

Sarah and Jim met early in college. After a whirlwind romance Sarah and Jim were marriedfixe. It wasn't long until Sarah became pregnant. They had a son, Sammy, who is now three years old.

Sarah and Jim had hoped to both finish college before they started a family; when they found out they were expecting their first child earlier than planned, they were determined to have at least one of them stay in school. Jim was very lucky to already have a job as a waiter at a popular chain restaurant. This job paid enough to support their family. Therefore, Jim and Sarah made the decision for Jim to work full-time and Sarah would continue going to college full-time.

Even though Jim and Sarah have managed to get by financially, it hasn't been easy. Money is tight each month. When Sarah and Jim married, they used their credit card to fund their honeymoon. At the time they thought it would be easy to pay back the money charged to their credit card. However, that was before Sammy came along. They have been having a hard time making more than the minimum monthly payment on their credit card. Therefore, Jim and Sarah want to create a spending plan to help them pay off their credit card and make some other financial changes. Sarah and Jim kept all of their receipts for the month of May and created an Income and Expense Statement. They want to pay as much as they can on their credit card per month without changing their below goals.

As a waiter, Jim is able to work the evening shift and stay home with Sammy during the day while Sarah is attending classes. Sarah comes home at night and takes over care of Sammy while Jim goes to work. Although with this arrangement Jim and Sarah aren't able to spend much time together, it allows them to not have to pay for childcare. This is a sacrifice they are willing to make in order for Sarah to remain in school.

Jim and Sarah budget $750 per month to pay for Sarah's college tuition for the entire year. The couple completes the Free Application for Federal Student Aid (FAFSA) every year. This form is free and determines if you are eligible for grants and loans from the federal government to help pay for college. Luckily, Sarah received a Pell grant this year that helps pay for $90 per month of her tuition costs. This is great because grant money does not have to be paid back like loan money. Sarah was also very lucky to receive a scholarship from the university that covers a large portion of her tuition costs. She is extremely grateful for this scholarship, because without it she doesn't think she would be able to attend college right now. However, in order to keep her scholarship she must maintain a GPA above 3.75. This requires her to spend extra time on her school work. Therefore, when looking at their Income and Expense Statement, Sarah does not think they can increase their earned income. Jim already works full-time and takes care of Sammy during his time off, and she does not feel it would be good for her well-being to take on a job in addition to school and caring for Sammy.

Even with the grant and scholarship, Sarah's tuition costs are still not completely paid for. On their Income and Expense Statement, Sarah and Jim indicate $200 per month they are borrowing from student loans to pay for the remainder of her tuition. Although the student loan will need to be paid back and is classified as debt, the expense does not need to be paid on until after Sarah completes school. The loan that is used for their monthly expenses from the student loan is considered unearned income and the expense does not come into play until after graduation.

Sarah and Jim want to make changes to their spending in order to pay for rest of her tuition themselves versus taking out student loans. Sarah also recognizes that they currently do not have any life insurance. This makes her very uneasy, and Jim agrees that this isn't the best financial move now that they have a child. Life insurance coverage for both Sarah and Jim will cost $75 per month.

Even though the couple can't increase their earned income, Jim and Sarah do see some changes that could be made to their expenses. Both Sarah and Jim are surprised to see how much they spent dining out at restaurants. The couple agrees that they will spend no more than $40 dining out every month. They decide this is attainable without increasing the cost of food at the grocery store because currently they have not been using their groceries wisely.

Jim points out that they spend $90 per month to have two cell phones, but they really only need one cell phone to keep at home in case of an emergency with Sammy. Sarah thinks this is a great idea but worries that they may be locked into a contract that would require them to keep both cell phones. After making a call to their cell phone provider, they find out that that they have flexibility with their cell phone contract and if they want, they would be able to cancel one cell phone. This would decrease their monthly cell phone bill to $50.00.

Sarah breaths a deep sigh of relief when she gets to the cigarettes category, because Jim has recently quit smoking. This is something that he has been trying to do since they married. On a recent trip to the doctor, Sammy was diagnosed with a moderate form of asthma. This was the motivation Jim needed to quit smoking. The doctor told him about a non-profit organization that provides support and helps pay for a medicine that helps you quit smoking. After seeing that he was spending $266.00 per month on cigarettes, Jim feels a large sense of accomplishment and is glad that money can now be used to pay for other expenses.

The couple pays $400.00 per month for health insurance for the three of them. Jim and Sarah are not willing to give up the sense of security that comes with having health insurance, especially with Sammy's asthma. In fact, even with insurance, Sammy's asthma medication costs $100.00 per month, and the family spends an additional $100.00 on average for necessary doctor visits each month.

Of their other expenses, Jim and Sarah don't see any other changes they can or are willing to make. They already live in a one-bedroom apartment, share one car, and limit their grocery, clothing, personal care, and entertainment costs. The couple is definitely not willing to decrease the $50.00 per month saved in their emergency savings fund.

Follow the spending plan development process below to help Sarah and Jim create a spending plan for the month of June.

Step One: Track Current Income and Expenses

Jim and Sarah have already completed the tracking of their income and expenses by saving their receipts for the month of May and creating an Income and Expense Statement. From this Income and Expense Statement, they have identified several financial goals that they want their spending plan to help them reach. What financial goals did Jim and Sarah identify? (5 points for completion)

Less money in cellphone, Not spending in cigaretts, Decrease $75 dollars in tuition, save $250 per month in emergency savings

What changes to expenses have the couple identified they could make to help them reach their financial goals? (5 points for completion)

change the cellphone plan, the man stoped smoking because of the asthma so he dont spend more money in cigaretts, they got a scholarship that will help them with tuition...

Place a star ★ next to the income and expense categories that the couple can't or are unwilling to change. (5 points for completion)

Step Two: Personalize Your Spending Plan

Jim and Sarah would like a spending plan created for the month of June. The couple used a spreadsheet to develop their Income and Expense Statement and have requested that the same document and same categories for their spending plan.

Step Three: Allocate Money to Each Category

Use the column provided on Jim and Sarah's Income and Expense Statement to develop a spending plan for the family for the month of June. Use the goals and financial changes identified in step one to develop the spending plan. Make sure to consider the trade-offs the family will have to make as a result of the changes. The final Spending Plan must have a net gain or a zero balance. (10 points for completion)

When the spending plan is complete, explain each change that you made. (5 points for completion)

Changed the meals in restaurants for $40
increased emergency savings to $250
increased to $80 in credit car payment
life insurance to $193.6

Now that their spending plan is complete, re-write Sarah and Jim's goals into SMART goals using their new spending plan. Make sure to indicate the trade-off(s) that will have to be made in order to reach each goal. (5 points for completion)

We decided to decrease our meals in restaurants for $40
And put $250 in the savings account

Step Four: Implement and Control

What control system would you recommend Sarah and Jim use? Explain. (2 points)

Savings account, because they can put the money that they wnat to save for future expenses.
Checkings account for the daily use without a big tax

Step Five: Evaluate and Make Adjustments

How has creating a spending plan helped the Carson family? (1 point)

To drecrease the amount of money per month and live better

THE UNIVERSITY OF ARIZONA
Funded by a grant from Take Charge America, Inc. to the Norton School of Family and Consumer Sciences Take Charge America Institute at The University of Arizona
TAKE CHARGE AMERICA NON-PROFIT CREDIT COUNSELING

Income and Expense Statement for:	Sarah and Jim Carson	
Time Period:	May	
	Amount	**Planned Amount for June**
Income		
Earned Income		
Wages or salary before deductions	1200.00	1200.00
Commissions/tips/bonuses	2400.00	2.400.00
Unearned Income		
Money from savings and investments to help pay expenses during this time period	0.00	0.00
Scholarships from non-government sources	460.00	460.00
Other: Student loan money received	200.00	200.00
Received Income from Government Programs		
Grants from government sources	90.00	90.00
Total Income	$4,350.00	4,350.00
Expenses		
Deductions Often Taken from Paychecks		
Federal Income tax	600.00	600.00
Social Security	223.20	223.20
Medicare	52.20	52.20
Saving and Investing (Pay Yourself First)		
Contribution to emergency savings	50.00	250.00
Contribution to savings to pay tuition	0.00	0.00
Insurance Premiums		
Health insurance, Medicaid and Medicare	400.00	400.00
Automobile insurance	35.00	35.00
Life insurance	0.00	193.6
Housing Costs		
Housing payment (rent or mortgage)	575.00	575.00
Utilities (gas, electricity, water, garbage)	100.00	100.00
Transportation Costs		
Fuel (gasoline/diesel)	100.00	100.00
Automobile repairs and maintenance	75.00	75.00
Automobile license and registration (yearly fee)	10.00	10.00
Food Costs		
Food at the grocery store	400.00	400.00
Meals at restaurants	100.00	40.00
Non-food kitchen supplies (plastic wrap, dish soap)	20.00	20.00
Communication and Computers		
Cell phone	90.00	50.00
Medical Costs Not Covered by Insurance		
Medical care	100.00	100.00
Medications – prescription, over-the-counter	100.00	100.00
Clothing and Personal Care		
Clothing	75.00	45.00
Personal care (shampoo, haircuts, cosmetics, laundry, etc.)	50.00	50.00
Educational Expenses		
Tuition for private school or higher education	750.00	660.00
Educational supplies: Books	75.00	75.00
Entertainment		
Movies, books, toys, and other entertainment	50.00	20.00
Other: Cigarettes	266.00	0.00
Credit Costs		
Credit card payment	30.00	180.00
Total Expenses	$4,326.40	4,350.00
Net Gain or Net Loss (Income less Expenses)	$23.60	00.0

Funded by a grant from Take Charge America, Inc. to the Norton School of Family and Consumer Sciences Take Charge America Institute at The University of Arizona