

The Brown Family

	Total Points Earned
23	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Congratulations! You have been hired as a financial advisor for John and Tia Brown. During your meeting with the couple, John and Tia inform you that they have already developed a Statement of Financial Position and an Income and Expense Statement and used them to identify their financial goals:

1. Increase the amount of their emergency savings fund
2. Pay more on their monthly car loan payment to pay the loan off faster
3. Spend less money dining out at restaurants
4. Even though both John and Tia must purchase dress clothes for work, they want to spend less money on clothing every month

In order to reach these financial goals, John and Tia know they need to develop a Spending Plan. This is where they need your assistance. The couple does not know how to develop a Spending Plan and would like advice regarding what changes to make to their expenses in order to reach their goals. Follow the spending plan development process below to develop a Spending Plan for the Brown family.

Step One: Track Current Income and Expenses

John and Tia kept all their receipts for the month of January to develop an Income and Expense Statement. Review John and Tia's January Income and Expense Statement for a realistic view of their income and expenses.

Step Two: Personalize Your Spending Plan

John and Tia have requested that you develop a spending plan for the month of February. The couple used a spreadsheet to develop their Income and Expense Statement and have requested the same document and same categories for their Spending Plan. Find the column on the Brown family's Income and Expense Statement where the Spending Plan will be created for February.

Step Three: Allocate Money to Each Category

Use the column provided on John and Tia's January Income and Expense Statement to develop a spending plan for the family for the month of February. The couple has indicated a * next to expenses that are either contractual or they are unwilling to decrease. Remember to consider John and Tia's goals and consider the trade-offs they 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 completions)

Expenses <u>decreased</u> and by how much	Expenses <u>increased</u> and by how much

Now that their spending plan is complete, re-write John and Tia'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. (4 points)

	Example: John and Tia plan to save \$____ for their emergency fund by saving an additional \$_____ each month for "x" months. They will need to spend less on eating out to accomplish this goal.
1	
2	

Step Four: Implement and Control

What control system would you recommend John and Tia use? Explain. (2 points)

Step Five: Evaluate and Make Adjustments

After evaluating the spending plan, John and Tia realized that if they dine out at restaurants less often they will need to increase the amount planned for their monthly grocery expense. They would like to increase their grocery budget by \$20.00. Make this adjustment to John and Tia's Spending Plan ensuring they still have a net gain or zero balance. (1 point)

How has creating a spending plan helped the Brown Family? (1 point)

Income and Expense Statement for:	John and Tia Brown	
Time Period:	January	
	Amount	Planned Amount for February
Income		
Earned Income		
Wages or salary before deductions	5,500.00	
Total Income	\$5,500.00	\$
Expenses		
Deductions Often Taken from Paychecks		
*Contribution to a retirement program (401k, 403b)	385.00	
*Federal Income Tax	1,100.00	
*Social Security	317.13	
*Medicare	74.17	
Saving and Investing (Pay Yourself First)		
Contribution to savings and investments	250.00	
Emergency Savings	0.00	
Insurance Premiums		
*Health insurance, Medicaid and Medicare	250.00	
*Renters or homeowners insurance	15.00	
*Automobile insurance	70.00	
Housing Costs		
*Housing payment (rent or mortgage)	800.00	
*Utilities (gas, electricity, water, garbage)	100.00	
Transportation Costs		
*Automobile payment	200.00	
*Fuel (gasoline/diesel)	100.00	
*Automobile repairs and maintenance	50.00	
*Public transportation fees	50.00	
*Automobile license and registration (yearly fee)	20.00	
Food Costs		
Food at the grocery store	300.00	
Meals at restaurants	350.00	
Snacks away from home (coffees, treats)	30.00	
Non-food kitchen supplies (plastic wrap, dish soap)	30.00	
Communication and Computers		
*Cell phone	110.00	
*Internet	60.00	
*Cable/satellite television	40.00	
Medical Costs Not Covered by Insurance		
*Medical care	100.00	
Clothing and Personal Care		
Clothing	250.00	
Personal care (shampoo, haircuts, cosmetics, laundry, etc.)	150.00	
Entertainment		
Movies, books, and other entertainment	200.00	
Total Expenses	\$5,401.30	\$
Net Gain or Net Loss (Income less Expenses)	\$98.70	\$

Letter of Advice for the Brown Family Rubric

	Total Points Earned
24	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: The Brown family has asked that as their financial advisor you write them a letter addressing the following questions:

1. Why it is important for us to develop and maintain a spending plan?
2. We don't know how to develop a spending plan. Would you explain exactly how you developed our spending plan so we can repeat the process?
3. What changes did you make to our January Income and Expense Statement in order to develop our February spending plan? Please make sure to explain why you made each change.
4. Our goals needed to be more specific after creating our spending plan. What do you think our new, more specific goals should be?
5. What control system do you recommend we utilize and why?
6. We want to evaluate our spending plan from month to month and ensure it continues to work for us. Do you have any advice for us regarding how to best do this? (offer at least one piece of advice)

	Exemplary	Satisfactory	Unsatisfactory	No Performance	Score
Content: <ul style="list-style-type: none"> ▪ All six reflective questions are addressed ▪ Answers are accurate 	12-9	8-5	4-1	0	
Writing Skills: <ul style="list-style-type: none"> ▪ Sentences are fluent and effective ▪ Very few errors in mechanics, punctuation and word choice ▪ Letter includes an introduction, body, and conclusion 	6-5	4-3	2-1	0	
Effectiveness of Presentation: <ul style="list-style-type: none"> ▪ Clearly prepared ▪ Easily read and neatly assembled ▪ Minimum of one-page, double-spaced with 12 font and 1-inch margins. 	6-5	4-3	2-1	0	
					Total Points Earned
					Total Points Available
					Percentage