GEORGIA PERSONAL FINANCE CHALLENGE

Family Financial Profile

The following describes the financial situation of the fictitious Wilson family, a couple with one child.

Name (age)	Employment	Annual Salary
Clair (32)	Full Time Employment with a Consulting Firm	$48,000 pre-tax
Ken (33)	Independent Contractor (courier part-time) Part-time student (medical transcription)	$12,000 pre-tax
Chelsea (12)	An excellent student who is interested in music	

The Wilsons have expressed some concerns about their spending and saving. They are especially interested in knowing what else they might do to prepare for retirement and for Chelsea's education. They are concerned that they don't seem to have any extra money at the end of each month.

GOALS

- The Wilson's want to be able to retire someday but have no specific age in mind.
- They don't plan to have any other children.
- Ken wants to know what he could do to begin to save for retirement as an independent contractor. He's only worked about 10 hours a week for the last few months.
- They wonder if they should buy a home.
- Ken recently received a $5,000 inheritance from his Great Aunt Irene. Both Clair and Ken want advice about how to use that money.

SAVINGS & INVESTMENTS

Clair contributes to Social Security at work. She also contributes $175 a month to her 401k. She has a total of $6,000 in her 401k, which is invested in a money market fund. She also could choose to put her 401k contributions into a bond fund or a stock market index fund. Her employer matches 100% of her contributions up to 6% of her salary.

Ken hasn't saved any money for retirement.

Ken and Clair have an emergency fund of $750 in a savings account at a local bank. They did have more in the account but recently used $2,000 to take a family vacation. It was more expensive than they thought it would be, but they had a great time.

Chelsea's grandparents started a savings account for her college education when she was born. It's invested in a stock mutual fund and has $7,000 in it.

HOUSING

The family rents a home in the Atlanta suburbs. The rent is $1,200 a month. Clair will be eligible for a promotion in six months and if she gets it, the family will have to move to Dallas.

INSURANCE

Clair has health insurance benefits at work and currently insures Ken and Chelsea through her plan. She pays $490 a month in premiums; the plan is an HMO. Her co-payment for most health care services is $20. She also could choose a high deductible HSA plan. The premium for that plan would be $260 a month but the annual deductible would be $4,400 for in-network care plus $8,800 for out-of-network care. Chelsea has asthma and must see a doctor every few months.

Neither Clair nor Ken has any life or disability insurance. Clair thinks she might be able to buy both at work. They don't have renter's insurance.

They have liability, comprehensive, and collision insurance for both cars with a $500 deductible.

TRANSPORTATION

Ken's 2006 Honda Accord is paid for.

Clair took out a loan in 2016 to buy a used 2014 Toyota Rav4. She pays $270 a month on the loan. The balance is $6,000. It will take 3 more years to pay off the loan; the APR is 6.5%.

EDUCATION

Clair has a master's degree in Business Administration.

Ken should finish his medical transcriptionist program in four months. Because he's so near the end of his program, he only goes to school about 10 hours a week. He hasn't had to borrow any money to pay for his education.

BANKING

Ken and Clair bank at a "large" bank and pay about $55 a month in fees, mostly when they use ATMs but sometimes for overdrafts.

CREDIT & OTHER DEBT

Clair pays $167 a month on student loan debt for her graduate education. She still owes $12,000. The APR is 6%.

Clair and Ken owe $3,000 in credit card debt on one card (in Ken's name) – the APR is 22%. They make the minimum payment of $85 most months, usually on time.

They owe $350 on a second credit card (in Clair's name) which has an 18% APR. The minimum payment next month will be $18.75 but they usually pay more than the minimum.

Ken's credit score is 680 and Clair's is 650.

FINANCIAL MANAGEMENT

Most months, after they pay the rent, the loan payments, at least the minimum payment on the credit cards, and buy food, they find they don't have any money left. In fact, they sometimes have to use credit cards to buy food and pay other bills at the end of the month and can make no more than the minimum payments on their credit cards. The last time the auto insurance premium was due, they had to use Ken's credit card to pay it. They aren't really sure where all of their money goes but when they can, they like to order dinner to be delivered and they enjoy going to the movies as a family.

In your presentation, consider the following questions for the Wilsons.

1. **What management practices would you suggest for their short-term spending and savings?**
2. **What management practices would you suggest for their longer term spending and savings?**
3. **What recommendations do you have for their:**
    a. **Debt management?**
    b. **Insurance coverage?**
    c. **Banking practices?**
    d. **Housing decisions?**
4. **What would you suggest they do with Great Aunt Irene's life insurance money?**
5. **How should the Wilson's prepare for an unexpected situation, such as the coronavirus pandemic?**

Things to consider:

- **Did you accurately identify financial problems and/or successes of the family?**
- **Were the suggestions made by the financial advisers financially feasible and sound?**
- **Were all financial terms used correctly?**
- **Did you display sufficient research in financial topics?**