PERSONAL FINANCE FINANCIAL BUDGETING SIMULATION THE FIRST MONTHLY BUDGET

Objectives: Participate in a financial budgeting simulation
Identify and calculate monthly expenses
Respond to financial uncertainty
Apply financial assumptions

NAME: _____

Roll the dice to determine what type of car you own and your outstanding credit card balance.

ADDITIONAL ASSUMPTIONS

- You are currently living at home to save money
- You contribute $500 to the family funds to cover the cost of feeding, housing and insurance
- Your credit card carries a 15% APR, compounded monthly
- The minimum monthly payment is 2.5% of the outstanding balance
    - You will only make a minimum payment for this round of the simulation
- Savings accounts currently earn 3% APR, compounded daily
- You are responsible for paying for your own car insurance and gasoline
- You can only use your net monthly savings to increase your savings account balance until you have accumulated 3 months net pay in your savings account

Black Die - Car		Green Die – Credit Card Balance	
1	1998 Ford Taurus	1	2500
2	2000 Chevrolet Impala	2	2200
3	2001 Dodge Neon	3	2750
4	2000 Pontiac Grand Am	4	1800
5	2001 Toyota Cellica	5	1600
6	1999 Honda Civic	6	2000

Refer to the Profiles Excel Spreadsheet on the website calendar to determine the following information.

Net Monthly Pay: _____

Current savings account balance: _____

Monthly contribution to your retirement account: _____

Current Credit Card balance: _____ (from the dice roll)

Make and model of car: _____

Estimating annual fuel costs

- Go to www.fueleconomy.gov There is a link on the Personal Finance Links webpage
- Click on Find & Compare Car
- Click on Find a Car
- Click on your Year, Make and Model
    - You may need to select a model – try and select the model closest to the model you own
- Click on Use your gas prices and annual miles
    - Select 12,000 miles per year
    - 60 % city
    - Regular gas = current gas prices
- Annual Fuel Costs: _____

Estimating auto insurance rates

Using the vehicle information you selected, obtain an insurance quote from American Family Insurance[1] at http://www.amfam.com/quote/quote.asp . There is a link located on the Personal Finance Links webpage
Input the following information when prompted:
- Zip code 44060
- 1 driver, 1 vehicle
- Garage zip 44060
- Commonly chosen coverage
- No damage, not a replica, not used for business
- Average annual mileage = 12,000
- Garage address: 6477 Center Street, Mentor
- Age = 22
- Years driving = 6
- Currently have insurance for longer than 6 months
- First name – choose something that represents your gender
- No tickets or violations
- Car will be used to drive to work 8-15 miles
- What is your insurance quote: _____ for _____ months

Converting annual or semiannual data to monthly data:
In order to calculate a monthly budget, items that are expressed in annual terms need to be converted to monthly figures.
How do you express an annual figure in monthly terms? _____

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[1] I am not endorsing American Family insurance. This website was selected because they do not require personal information to obtain a quote

Annual fuel cost: _____ = _____per month

Car insurance (remember quote is for 6 months!): _____ = _____ per month

Monthly budget calculations – The Excel spreadsheet

Open the budget spreadsheet on the website calendar

Enter in the appropriate information for the first month

       Much of the spreadsheet will be completed automatically

       Make sure to fill in your name at the top of the spreadsheet

There are line items marked TBA – we will fill those in as the simulation progresses

1. What is your ending savings balance? _____

2. What is your ending credit card balance? _____

3. How much was your credit card balance reduced from the opening outstanding balance?
   _____

4. Why do you think you were not able to reduce your credit card balance?

   _____

   _____

5. What is your ending retirement account balance?

   _____

6. The simulation is an economic model, based on certain assumptions. Why is the budget
   we are preparing not an accurate representation of reality?

   _____

   _____

   _____

   _____

Life Happens

You have to purchase a new wardrobe for work. As you know, new clothes are expensive. You
end up spending $600 on new clothes in the first month of employment.

7. How will you pay for it?

   _____

Adjust your excel budget to reflect the purchases

Print out your excel budget and turn it in with this worksheet.