

CHAPTER 7 ACTIVITY

Family Reality Check

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OBJECTIVE

The purpose of this exercise is for students to gain an understanding of the fundamentals of adult living within a family unit. Throughout the activity, students will be challenged to live within their financial means, utilize a written cash flow plan, and work with other students to achieve a mutual goal.

Teacher Directions

Divide the Class Into Families

Divide your class into groups of 4-6 students. These groups will represent families of different makeups (see sample family makeup sheet). Have groups draw for their personal makeup. Once you've assigned the family's "makeup," have the students choose a family name and names for family members. Each group will record this information on the student activity sheet.

Choose the Family Income

Have groups draw for their annual income, ranging from \$30,000 to \$70,000. The income drawn will represent the total household income for that family. So, the single mom might get the largest income. Things like that happen in the real world. The largest family may have to budget the lowest income. Remember, this is the TOTAL income for the family, including any part-time work, Social Security, or child support. Divide this income by 12 to determine their monthly income for budget purposes.

Do the Budget

Instruct students to work together to create a budget based on the needs of their assigned family. Use the budgeting forms found on the Teacher's Guide CD Rom—Forms folder. Students are required to stay within their specified household income. They must account for every category that would apply for their assigned family. You may provide them with estimates for certain categories (e.g., babysitting, gas bill, water bill, rent) and try to estimate as accurately as possible based on real life situations. If they run out of money, they still need to account for everything. This will give them an idea of how much money they have left over or how far in debt they are. Typically, it takes several budgets before most groups work everything out.

Taxes?

Once they have accounted for everything, tell them that they have to pay income tax. This will be met with a large amount of sighs from your students. Tell them to multiply their monthly income by .8 because they will pay 20% income tax. They must then refigure their budget based on the new numbers.

Tax Simulation Formula: $.8 \times T = \text{Net Income}$ ($T = \text{Total Income}$)

Acquiring Debt

Once updated budgets are complete, allow families to cut three items they can do without. Next, give them credit card and car payment amounts. Write down various amounts on cards, including some zeroes, to give families the opportunity to draw a zero and not have any credit card or car debt. Use whatever credit card companies you wish. Limit the number of credit card payments to three and the number of car payments to two.

At a later date, you can give them credit card and car payoff amounts however you choose.

Real Life

Throw real life at them. Use some of your personal experiences and have them figure it into their budgets. Give them an opportunity for a bonus or pay increase from time to time.

For example: If your water heater breaks down at your home. Use this as an opportunity to educate your students on the expenses associated with a new water heater. Come to class and say, "All right, last night every family had an emergency, your water heater broke down and it's going to take \$350 to buy a new one. Time to redo your budgets."

Dumping Debt and Building Wealth

Have students write a budget every month. Challenge them to see if they are able to diminish their debt and add to their savings. Don't forget to emphasize giving.

Sample expenses/bills to give to groups.

Feel free to include unexpected expenses that came up in your own life.

- Auto Repair \$427.00
- Medical prescription \$30.00
- Restaurant bill \$50.00
- Auto license renewal \$40.00
- Eye glasses \$125.00
- Repair broken window \$80.00
- Auto repair \$954.00
- Flat tire repair \$20.00
- Freezer died. Purchase a new one. \$650.00
- Vet bill \$125.00

Note with the vet bill—if the family who draws this does not own a pet, they can assume the mail was delivered incorrectly and they can trade bills with any group who has a pet.

- Water Bill (Someone left the water hose running while you were gone for a three-day weekend.) Add \$70.00 to your water bill this month.

Sample Budget Information

(Use this for a guideline if students are not able to come up with realistic budget expenses.)

Groceries:	\$125.00/per month/per person
Rent:	\$600.00/month
Electric bill:	\$110.00/month
Water bill:	\$60.00/month
Cell phone bill:	\$70.00/month
Internet access:	\$35.00/month
Trash bill:	\$15.00/month
Baby sitter:	\$3.00/per hour/per child You hire a baby sitter for 10 hours per month
Home phone:	\$40.00/month
Charitable gifts:	10% of your monthly income
Cable TV service:	\$45.00/month

Family Makeup: Cut along the dotted lines, and have students draw for their family make up.

(A) Single parent (age 24), 2 children (age 1, 3)

(B) 2 parents (age 35 & 36), 2 children (age 5, 7), one dog

(C) 2 parents (age 38 & 39), 4 children (age 8, 10, 15, 17), one dog

(D) Single parent, (age 42), 1 child (age 18), one cat

(E) 2 parents (age 26 & 28), 3 children (twins: 4, 6)

(F) 2 parents (age 24 & 25), 1 child (age 3), one dog, one cat

(G) 2 parents (age 44 & 48), 3 children (ages 19, 16, 14)

Name _____

Date _____

FAMILY REALITY CHECK

Your group will be assigned a unique family makeup, annual income, and budget situation. Use this form to keep track of your “family.”

Family makeup

Family name

Names of each family member (identify adult and child names)

Annual income

Special budget situation (if any)

Group members (list each member of your group—first and last name)

