

THE BROWN FAMILY SCENARIO WORKSHEET

	Total Points Earned
71	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Read the scenario and underline all sources of income for the Brown family; put a box around all expenses for the Brown family. This is worth 5 points.

Tia and John Brown have been married for two years and are awaiting the arrival of their first baby in two short months. John is a branch manager at a local bank which provides adequate benefits including health insurance for John, Tia, and their newborn. John's net income is \$750.00 paid bi-weekly. Tia works part-time running a wedding coordination business out of their home which provides an additional \$800 net income per month after taxes are paid.

In the past, John and Tia have not used a spending plan. Their expenses were tight, but they always managed to get by without using credit cards. However, they also do not have much in their savings account. John and Tia have set a short and long-term goal in preparation for the baby's arrival. Their long-term goal is to deposit \$50 each month into a savings account for the baby's college fund. Their short-term goal is to begin saving at least \$150 per month for emergencies to begin building their net worth. They know to be able to achieve these goals and get their finances organized, they must develop a spending plan. They tracked their expenses for a month and here is an analysis of their current spending.

John and Tia live in a two bedroom two bathroom rented condominium in a large metropolitan area. They pay \$900 per month, and this includes utilities. They know that this will become a bit cramped with one bedroom already being used as Tia's office, but will become the baby's room. However, they really like their home and seldom have overnight guests.

John drives a Toyota Camry which they own without payments. Every six months they allocate \$200 for maintenance, repairs, gasoline, and oil changes. Tia uses the public subway system to travel around the city when necessary. This costs the Brown family \$50 per month.

Tia and John love to eat out and meet on Mondays and Wednesdays at a café near John's office for a lunch date. Friday nights they also eat dinner at one of their favorite restaurants, often with friends. They spend an average of

\$300 per month for groceries and \$350 per month eating out. They have made a commitment to themselves that once the baby arrives they will save money on food and eat out only once per week.

John and Tia's family are very excited about the arrival of their baby. They have opened a savings account in John and Tia's name and deposited \$1,000 to begin a college fund. To meet their savings goals, John and Tia save \$150 per month in their account in addition to depositing \$50 per month into the baby's college fund. In the spending plan John and Tia are developing, they also allocate, \$100 per month for the baby's expenses, \$100 per month on personal care including clothing, and \$150 per month of automobile and life insurance. At the end of the month, if any additional money is left over they add it to their savings.

John and Tia have come to you as their financial advisor. They need you to help them implement the spending plan process to develop a spending plan, analyze their expenses, and make recommendations for how they could best manage their money.

STEP ONE: Track expenses.

- John and Tia have completed this step.

Indicate one SMART short-term and one SMART long-term goal for the Brown family that have not been stated in the scenario.

1. What is one SMART short-term goal for the Brown family? (1 point)

2. What is one SMART long-term goal for the Brown family? (1 point)

STEP TWO: Identify spending plan categories.

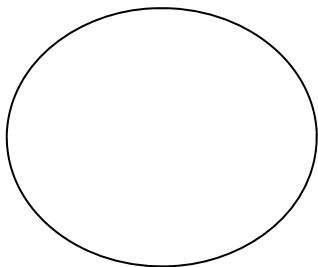
- Review the spending plan template below. Ensure that the categories noted are appropriate for John and Tia's income and expenses.
3. Why were taxes not included in this scenario? (1 point)

STEP THREE: Allocate money to each category.

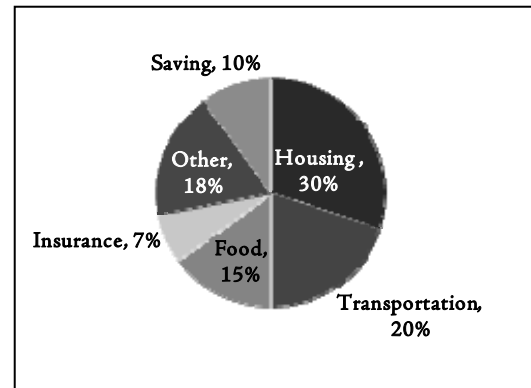
- Based upon the scenario, complete the following table using the information that was gathered. Remember that the amounts indicated in the table should be based upon the monthly amount. (1 point per category and total for a total of 16 points)

Date: February 2009	Spending Plan Designed for: The Brown Family	Percentage of income used for each expenditure
Income	Amount	
Wages/salary for Tia (Net pay)	\$	
Wages/salary for John (Net pay)	\$	
Total Income	\$	
Expenses	Amount	
Fixed Expenses		
Housing	\$	
Savings	\$	
Insurance	\$	
Total Fixed Expenses	\$	
Flexible Expenses	Amount	
Public transportation costs	\$	
Transportation costs for car	\$	
Food (Groceries)	\$	
Food (Eating out)	\$	
Baby expenses	\$	
Personal care	\$	
Total Flexible Expenses	\$	
Total Expenses	\$	
TOTAL INCOME – TOTAL EXPENSES	\$	

Directions: Please complete the pie chart indicating what the Brown Family's spending plan would look like. (worth 6 points)



- ☐ Housing _____
- ☐ Transportation _____
- ☐ Food _____
- ☐ Other _____
- ☐ Saving _____
- ☐ Insurance _____



4. Compare the two pie charts. (worth 7 points)
- What are 2 similarities?
 - What are 2 differences?

- c. Is the Brown family able to readjust their expenses to match the recommended amount? Support your answer with two reasons.

STEP FOUR: Implement and Control

5. What control system would be good for the Brown Family? Support your answer with one reason. (2 points)

6. What is the purpose of a control system? (1 point)

7. What advice would you give to a family who currently does not have a control system in place? (1 point)

STEP FIVE: Evaluate and make adjustments

8. Identify at least five expenses which the Brown family probably encountered, but did not include in their February 2009 spending plan? (5 points)

9. If their income does not increase, what are two ways the Brown family can adjust their spending to account for these additional expenses? (2 points)

Following your careful evaluation of the Brown family spending plan please create a new spending plan for them for the month of March. (20 points available)

Date: March 2009	Spending Plan Designed for: The Brown Family	Percentage of income used for each expenditure
Income	Amount	
Wages/salary for Tia (Net pay)	\$ 800.00	
Wages/salary for John (Net pay)	\$ 1,500.00	
Total Income	\$ 2,300.00	
Expenses	Amount	
Fixed Expenses		
Housing	\$	
Savings	\$	
Insurance	\$	
Total Fixed Expenses	\$	
Flexible Expenses	Amount	
Public transportation costs	\$	
Transportation costs for car	\$	
Food (Groceries)	\$	
Food (Eating out)	\$	
Baby expenses	\$	
Personal care	\$	
Total Flexible Expenses	\$	
Total Expenses	\$	
TOTAL INCOME – TOTAL EXPENSES	\$	

10. How did you determine what areas to decrease expenses in to make their balance budget? (1 point)

11. If an individual has a high income. Does this make them a wealthy person? Why or why not? Support your answer with one reason. (2 points)