

THE CARSON FAMILY

Name _____

Date _____

Class _____

	Total Points Earned
82	Total Points Possible
	Percentage

Directions: As you read the scenario help to keep track of the Carson family’s lifestyle by completing the following directions:

Underline the following concepts in these colors:

Blue – Bad habits (financial, education, or others)

Purple – Good habits (financial, education, or others)

Green – Income

Red – Expenses

The Carson Family (15 points)

The Stern Family (Sarah’s family)

Sarah Carson, formerly known as Sarah Stern grew up in a small community. Sarah’s father, Daniel, was a veteran teacher at the local high school and enjoyed being an advisor for the technology club and the assistant boy’s basketball coach. Her mother, Rose, was a stay-at-home-mom, but taught occasional sewing class in their living room. Sarah’s sister, Joni, is two years younger and looks up to her “big sister” in every way. Raising two children on a teacher’s income was challenging for Daniel, but the family pulled together using the extra income provided by Rose’s sewing lessons and the girls’ weekend and evening jobs. They never had much left over at the end of the month, but they had everything they needed. Sarah and Joni were both excellent students and were encouraged by their counselors to think about going to college. The local university was an excellent school and Sarah would be able to attend there and still be close to home. She knew that she’d have to work almost full time to get the money she needed to pay for college and might have to take courses on-line or at night. But, she knew it would be worth it.

The Carson Family (Jim’s family)

Jim Carson was born and raised in a small city near by Sarah’s hometown. His father, Walter, was a carpenter and worked intermittently for a local contractor. He was frequently unemployed during the fall and winter season, when layoffs were frequent. These times were perfect for hunting with the guys and spending time at the local tavern for endless card games. Jim and his brothers, Bill, Mike, and Joe, followed Walter’s example and learned to enjoy the pleasures of “hanging out” with the guys. Mrs. Carson (Walter’s wife) spent her time as a volunteer receptionist at the nearby church. This family lived paycheck to paycheck and did not plan for the future. Unlike his brothers, Jim was a good student. One day, early in his senior year, he attended a college information workshop. In fact, a representative from the same state university where Sarah attended was there and persuaded him to take the entrance exams and apply. Unfortunately, there was no money for tuition and the idea of student loans, scholarships, or grants never even crossed his mind. He did, however, decide that he liked the idea of going to college.

Sarah, Jim, and Sammy

The large state university that Jim and Sarah attends is a quality school. The surrounding residential areas are nice places to raise a family. Sarah met Jim one summer evening at a lively restaurant on campus. They began dating immediately and after a whirlwind romance a Justice of the Peace married them six months later. It wasn’t long until Sarah found herself pregnant. They had a son, Sammy, who is now six months old and regularly had a raspy cough.

On a trip to a neighborhood clinic, one of the student doctors suggested that Sammy might be showing early signs of asthma.

Sarah is now in her senior year of college and attends school three days a week and works as a waitress at an upscale restaurant near their home. Sarah works 32 hours per week at a rate of \$7.25. With school, that is all she is able to handle. Her hourly wage net pay each month is \$747. Sarah also makes approximately \$1,288 after taxes in tips per month. She also receives \$1,000 per month in financial aid. Jim has a high school diploma and a few general education credits but stopped going to class when he lost his job and has had a difficult time finding a new one without much education. Resisting Sarah's pleas that he continue his job-hunting efforts or even go back to school, Jim feels that Sammy's day-care expenses would eat up his minimal income. Therefore, Jim stays home and cares for Sammy in their one bedroom apartment that costs \$575 per month for rent and approximately \$100 per month for utilities. He has developed a smoking habit consuming two packs of cigarettes a day costing them \$266 per month. To help pass the time and assist Sarah with her late night homework, the family needs internet. Sarah elected to have a bundle pack that included internet, basic cable, and a phone line for \$75 per month. Sara also has a cell phone that is pre-paid for \$25 per month which she uses for emergencies only. Jim does the grocery shopping spending approximately \$350 per month. They seldom eat out. They pay \$267 per month for health insurance for all of them. But, it provides minimal coverage. Between dressing for work, school, and keeping Sammy clothed during his fast growing phase the Carson's spent on average \$110 per month on clothing. With expenses such as these and the college tuition payment of \$750 per month the Carson's were struggling to make all of the payments on time.

Sarah only spent \$50 per month on entertainment and assumed Jim was spending minimal amounts. However, what she didn't know was that he was using a credit card to have fun with his friends. Since he was home all day, he was able to ignore the calls from the creditor and keep his cards a secret from Sarah. The Carsons were piling up extremely expensive debt. Sarah didn't know that Jim entered the marriage with \$5,000 in credit card debt and had paid down none of it. After their marriage, they added another \$3,000 in debt using their credit card to get established in their new apartment and go on a honeymoon. They regarded credit cards as a risky, but a necessary way to supplement their limited income. Needless to say, all of these credit cards have incredibly high interest rates which will cause the bills to continue to increase. Their minimum monthly payment for Jim's card is \$125 and \$75 for their family card. In addition, their credit score was quite low as a result of this debt.

In thinking about their financial situation, Sarah remembered her mom advising her to set aside some money each month to deal with emergencies. At this time, they do not have money in savings. But, in February, Sarah started allocating \$50 per month in a savings account, despite how difficult it was each month.

To compound her problems, Sarah worried about the condition of their 1995 Chevy Lumina. It had 120,000 miles on it already and occasionally broke down on her way to work. Even though the car was paid off as a high school graduation gift for Sarah, the repairs cost \$75 per month and fuel costs \$100 on average per month. Sarah has minimal liability insurance required by law on the car costing the Carson family approximately \$42 per month. The Carson's apartment was more than a mile from the nearest bus stop and about 10 miles from her work. Sometimes Sarah had to ride to work with some of her co-workers, which left her without a way to get to class or run errands.

She and Jim investigated both new and used cars at local dealers, but were discouraged by the prices they were quoted. Even the smallest and cheapest new sedan they wanted, with standard equipment and few options, retailed at \$10,000 or more (depending upon special sales and finance charges). While Sarah was concerned about gas consumption and wanted a fuel-efficient vehicle, Jim wanted a SUV. She knew that they'd have to finance any new car that they bought and realized that the payments for the loan and insurance would be too high. "What can we do?" Sarah asked out loud, while Jim stood by silently.

One day Sarah decided that it was time to sit down and create a spending plan. She gathered many receipts to look at the average costs per month that her family was spending on items. Sarah was quick to see that they needed to take some action to get their financial lives on track.

Sarah began to think about leaving Jim and the city however, she loved the area where she lived and knew there were outstanding job opportunities once she graduated. She was furious with Jim and very worried about her son. Thinking about Sammy's future made her feel even more terrified. However, she has no idea where to begin. What should she do? How can they ever get out of this mess?

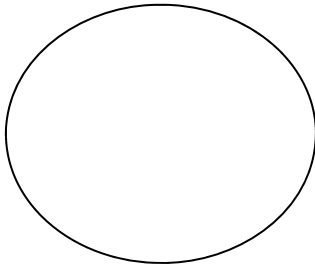
Directions: The yellow column is the February spending plan for the Carson family based upon the receipts that Sarah tracked. The purple column is what the family actually spent in February. Review the spending plan and scenario to answer the following questions.

Income and Expense Statement for:	Carson family		
Time Period:	February 2009		
	February (yellow column)	February (purple column)	March (blue column)
	Spending Plan	Tracking	Spending Plan
Income	Amount	Amount	Amount
Wages or salary before withholding	\$747	\$700	
Commission/tips/bonuses	\$1,288	\$1,150	
Worker's Compensation			
Scholarships/grants	\$1,000	\$1,000	
Gifts from relatives		\$200	
From savings		\$50	
Other:			
Total Income	\$ 3,035	\$ 3,100	
Expenses			
<i>Fixed Expenses</i>			
Contribution to savings and investments	\$50	\$0	
Health Insurance	\$267	\$267	
Life insurance			
Auto insurance	\$42	\$42	
Housing (rent, mortgage)	\$575	\$575	
Car payment			
Installment payment #1			
Tuition	\$750	\$750	
Cable tv and internet	\$75	\$75	
Other			
Total Fixed Expenses	\$ 1,759	\$ 1,709	
<i>Variable Expenses</i>			
Food	\$350	\$323	

Eating out/snacks		\$50	
Utilities (Gas, electricity, water, garbage)	\$100	\$104	
Gasoline	\$100	\$77	
Car repairs/maintenance	\$75	\$50	
Medical/dental care not covered by insurance			
Prescription drugs and medicines		\$75	
Child/other dependent care			
Clothing	\$110	\$90	
Entertainment	\$50	\$50	
Personal care			
Credit card payment	\$200	\$200	
Magazines, newspapers, etc.			
Pet care/supplies/food/vet			
Gifts		\$100	
Education/books		\$35	
Telephone	\$25	\$25	
Other - Cigarettes	\$266	\$266	
Total Variable Expenses	\$ 1,276	\$ 1,445	
Total Expenses	\$ 3,035	\$ 3,154	
Net gain or Net Loss	\$ 0	(\$ -54)	

1. Write one short-term SMART goal for the Carson family. (1 point)
2. Write one long-term SMART goal for the Carson family. (1 point)
3. Identify three values the Carson family has which influences their spending plan. (3 points)
4. Identify three needs the Carson family has. (3 points)
5. Identify three wants the Carson family has. (3 points)

6. Identify and draw the percentage spent in each major expenditure category for February (yellow column). (5 points)



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

7. How has Jim and Sarah's childhoods influenced their perceptions on money management both positively and negatively? (2 points)
8. What has happened to Jim's earning power since he did not finish college? (1 point)
9. What impact does credit card debt have on their spending plan? (1 point)
10. Should the Carson family purchase a new car at this time? Why or why not? (2 points).
11. What are two positive financial techniques the Carson family currently has? (2 points)
12. What are two negative financial management principles the Carson family currently has? What do they need to do to change this? Why might these changes be difficult? (4 points)
13. Analyze the Carson family's actual spending for the month of February in the purple column. This month, they had a few unexpected emergencies in addition to changes in how much they were actually spending in categories. Some of the changes were:
- Sammy needed medicine for his asthma which was not covered by their insurance \$75.
 - Sarah had a class project which required her to purchase an additional text book and supplies \$35.
 - They had guests in town one night and ate out \$50.
 - Sarah was sick and could not work for two nights one week decreasing her pay.
 - It was Jimmy's birthday and his parents gave them \$200. He spent \$100 on a new game and put \$100 towards their monthly expenses.

Based upon their spending, create a spending plan for the month of March in the blue column. (10 points)

14. What control method would you recommend the Carson family uses and why? (2 points)

15. Does the Carson family currently have a net gain or a net loss? (1 point)

16. What are two negative spending patterns the Carson family had in February? (3 points)

17. Identify four changes you made in the spending plan. Explain why you made those changes. (4 points)

18. What is one challenge the Carson family may encounter while trying to implement that change? (1 point)

19. How does not having money in savings impact the Carson family when adjusting to their emergencies? (1 point)

20. How was money allocated to help the Carson family meet their short and long-term financial goals identified in questions one and two? (1 point)

21. At this point in the Carson family's financial situation, are they building net worth? Why or why not? (2 points)

22. Give two examples of how the Carson family's financial struggles relate to real life. (2 points)