

# **2024 Illinois Personal Finance Challenge Case Study**

## **Guidelines**

1. This case study provides each team with incomplete financial information about a fictional family's financial situation. You are not given all information necessary and are free to create additional information about your family if you wish.
2. Your team is charged with studying this family's finances and making recommendations as if you were their financial advisor. You can create a budget and expense sheet and anything else you might want to show them as you present your recommendations.
3. You will present your recommendations to the couple in five areas:
  - a. Savings goals
  - b. Debt
  - c. Insurance
  - d. Taxes
  - e. Estate planning
4. You will create a presentation as a team. Each member of your team must have a speaking part in your presentation.
5. Your goal is to give the couple sound advice for their future based on your knowledge of financially sound practices. It will be important to include reasons to support your recommendations.
6. Please note that all judges have the scenario and will have read the information. You do NOT need to repeat the details for them. Instead, focus on your recommendations, justifications for those recommendations, and sound financial advice.

# FAMILY FINANCIAL PROFILE:

## FAMILY MEMBERS:

The following narrative describes some details about the fictitious future Perez-Max family, a couple about to be married and living in Springfield, IL. Their financial circumstances:

Name and age	Employment	Annual Salary	Credit Score
Maria Perez (23)	FT student/PT bank teller	\$20,000	820
John Max (25)	FT Landscape Supervisor	\$49,000	675

Maria graduates from college on May 20, 2024. She has a full-time job beginning August 2024 as a public middle school teacher with full benefits available including health insurance and retirement savings into a defined benefit plan. Her starting salary, on a 9-month contract, is \$40,000.

Maria and John are getting married on July 26, 2024.

The young couple has mentioned not knowing much about finance and they want to ensure a secure retirement for themselves and college planning for their future children. They are wondering about continuing to rent, and if and when they should buy a home, how much they need to have saved for a down payment.

We suggest that you create a budget for them using expenses they may have and show what they are now spending plus other items. We have given you some of their expenses, but you should estimate the rest of their expenses from your knowledge of personal finance. The data provided and the following narrative is incomplete, however you may discover some areas where their personal financial practices could be improved.

## GOALS:

The couple have recently decided to consult a financial expert as they want to get started on the right foot financially and be in good financial shape to achieve their goals.

The couple is planning a local three-day honeymoon and are dreaming of a 10-day cruise to the Western Caribbean over Maria's winter break. The anticipated cost of the cruise, including airfare, is \$7,000.

John is from a large family and is adopted. He would like to someday be able to adopt children in addition to having biological children. He feels strongly about saving for their college education.

The couple would like to be homeowners.

**SAVINGS:**

John has an emergency fund of \$1,200 and a working checking account with an average balance of \$400.

Maria has \$800 in a savings account and a working checking account with an average balance of \$250.

John contributes 5% of his salary to his 401(k) on a pretax basis, which receives a 125% match from his employer. The current value is \$4,000 fully invested in short term bond funds.

**DEBTS:****Housing Expense**

Maria is renting a shared apartment. Her share of the rent is \$800 per month. John is renting a studio at \$500 per month. Electric, gas, water, and trash service are included with their rents. They each pay \$45 a month for internet access. They need help to decide if they should rent a 2 bed/1 bath apartment at \$1300 a month or if they should consider purchasing a house. Maria has her eye on a cute little 720 sq foot, 2 bedroom, 1 bath house with a list price of \$190,000.

**Credit Cards/ Other Debt**

John has a credit card with a balance of \$1,200 at 21.99% APR.

Maria typically pays her credit card balance in full..

Maria has \$21,000 in subsidized federal student loan debt. Payments will begin December 2024 with a monthly payment of \$212.51, for 10 years with 3.99% interest. Cumulative payments are \$25,501.94 with interest of \$4,501.94.

**Transportation**

John drives a 2015 Ford F150 that he purchased used in 2022 for \$13,500 with a 6% interest rate. He has 5 years remaining on the loan which has monthly payments of \$180.

Maria drives a 2015 Nissan Sentra that was provided by her parents. The car is quite dependable, but she would like something larger like an SUV.

**INSURANCE:****Life**

Maria has a small insurance policy that her parents purchased at her birth. The policy has a cash value of \$6,000 and a death benefit of \$25,000. Maria's parents are the current beneficiaries and are giving the policy to Maria at graduation.

John has life insurance through his employer at 1x salary. John's brother is the current beneficiary.

Once Maria starts teaching in the fall, her school district will provide a 1x salary life insurance plan with the ability to purchase up to an additional 2x salary at \$14 per month.

**Health**

John has health insurance through his employer. His current plan has a \$750 deductible with a \$178 monthly premium for a single person, \$382 monthly premium for two people, and \$456 for a family plan. The high deductible plan has a \$3000 deductible with a \$96 monthly premium for a single person, \$201 monthly premium for two people, and \$263 for a family.

Maria is currently on her parents' health insurance. Once she starts teaching in the fall, her school district will provide an insurance plan that has similar coverage as John's but is less expensive than John's for one individual and becomes more expensive for two people and for a family.

After getting married, John and Maria must determine which health insurance options(s) to choose.

### **Car**

John is paying for his car insurance. His vehicle carries a \$50,000 per person injury liability, a \$100,000 per accident injury maximum, and a \$50,000 property damage coverage. The monthly insurance payment for his truck is \$160 with a \$1,000 deductible.

Maria's car is currently on her parents' insurance. Once she graduates and starts her full-time job, she will assume responsibility for the payment, which is \$130 monthly with coverage comparable to John's.

### **Home**

Neither John nor Maria currently has renter's insurance.

### **TAXES**

John is expecting a tax return of \$1,200 from the federal government and \$200 from the state of Illinois.

### **ESTATE PLANNING**

Neither John nor Maria currently has a will, power of attorney, or health care directive.

### **Other Things to Consider**

The couple is expecting significant financial wedding presents. A grandparent has already committed \$25,000 to them on their wedding day.

**FOLLOW-UP QUESTIONS:** In your presentation, you should consider addressing the following questions as well as making any other additional recommendations for the couple.

1. What actions can they take to better address their goals?
2. Should they continue to rent or buy a house? If they buy, how much should they have for a down payment?
3. How should they handle their debts?
4. Are there any changes needed to their insurance: auto, home and life?
5. What is the best health insurance decision?
6. What should they do regarding retirement savings?
7. What is the best use of John's tax return?
8. What should they do with the wedding cash gifts?
9. Any advice on their honeymoon plans?
10. What should they do with Maria's gifted life insurance policy?
11. What advice would you give the couple as it relates to future children: funding adoption and college educations?
12. How would you address the family's estate planning?

As a reminder, the judges have a copy of this scenario. Your time should be spent on providing sound financial advice for this couple. You should NOT summarize the case. Good luck!