A close up of a sign

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Michigan Personal Finance Challenge

Case Study

Rules

1. Each team is provided 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 to study this family’s finances and make recommendations as if you are their financial advisor. You can create a budget and expense sheet and anything else you might want to show them as you present your recommendation. You will present your recommendations to the family in 4 areas:

* Debt
* Savings Goals
* Insurance
* Taxes

1. You will create a Power Point presentation as a team and present it to the panel of judges. The presentation must not exceed 7 minutes in length. Judges will have 3 minutes for Q and A. Each member of your team should have a speaking part in your presentation. You may use any creative method of delivery to enhance your presentation. Your Power Point presentation must be loaded onto the provided flash drive and turned in no later than 12:00pm.
2. Your goal is to give the family advice for their future based on your knowledge of financially sound practices. Your teacher may not assist you in anyway except to help make sure that you can access the technology. You may utilize multiple electronic devices as you prepare. You will have a pass you can use for a 2 minute meeting with a financial counselor to ask any questions you may have at any point during your preparation period.



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| **Family Financial Profile** |

**FAMILY MEMBERS**

The following narrative describes some details about the fictitious Burkey family, a couple with 2 children. Their financial circumstances:

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| --- | --- | --- | --- | --- |
| Name | Age | Employment | Annual Salary | Credit Score |
| Mike Burkey | 43 | Electrician | $75,000 | 670 |
| Marissa Burkey | 40 | Private School Teacher | $55,000 | 740 |
| Brianna Burkey | 12 |  |  |  |
| Joey Burkey | 7 |  |  |  |

The Burkeys have mentioned not knowing much about finance and want to ensure a secure retirement for themselves and college planning for their two children.

It is suggested that you create a budget for them using expenses that they may have and show what they are now spending plus other items. We have given you some of their expenses, but you should create 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.

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| **GOALS** |

The Burkeys have recently decided to consult a financial expert on what they might do to improve their financial situation and achieve their goals.

Mike recently received a $6,000 bonus and they want help to allocate it toward their financial goals.

They would like both of their children to attend a four-year university in Michigan, without having a burden of excessive student loan debt.

Mike and Marissa would like to retire no later than age 60.

They would like to make sure the mortgage on their home would be paid off and the children’s college education would be taken care of in the event of one of their deaths.

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| **SAVINGS** |

Marissa contributes 4% of her salary to her 403(b) through Fidelity Investments. Her employer offers a 100% match up to 6%. The current value of her 403(b) is $55,000. She has invested her 403(b) investment in 3 different stocks.

Mike has a 401(k) invested with Fidelity. The current market value of his account is $114,000, invested half in bonds and the rest in cash. He was contributing $400 a month into his 401(k), but stopped contributing last year so they could afford a motorhome. His employer doesn’t have a matching program.

The Burkeys have an emergency fund of $500 and a working checking account with an average balance of $1,650.

Neither Mike nor Marissa will receive a pension upon retirement.

Mike’s father recently passed away and left him and his two sisters an inheritance. The inheritance consists of his father’s home, which has a fair market value of $120,000, but his father had a mortgage on the property of $30,000. Mike would like some advice on what to do with this inheritance.

The Burkeys have a college saving account for each of their children. They are currently contributing to the New Hampshire UNIQUE 529 College Investing Plan through Fidelity since it is open to non-residents. Brianna’s balance is $26,000 and Joey’s balance is $14,000. Each of the portfolios are invested in an age weighted account. The Burkeys were wondering if Michigan has a 529 plan and if so, should they switch over to it.

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| **DEBTS** |

**HOME MORTAGE**

They financed their home at a 6.4% interest rate and have 24 years left on a 30 year fixed rate mortgage with a balance of $260,000. The current market value of the home is $325,000.

MONTHLY HOUSING EXPENSES

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| Principal & Interest | $1,951 |
| Property Tax | $864 |
| Homeowners Insurance | $175 |
|  |  |
| Monthly Total | $2,990 |

**CREDIT CARDS/OTHER DEBT**

Marissa has a Kohl’s credit card with a balance of $960 with an APR of 24.99%. Mike has a Platinum Delta Skymiles credit card so he can earn miles toward free flights and other benefits. The credit card has a $195 annual fee and a 19% APR. There is currently a balance of $4,850 on the credit card.

The Burkeys enjoy camping and purchased a used 2008 Gulf Stream RV Sun Voyager motorhome last summer for $59,385. They had saved up $12,000 for a down payment and borrowed the remainder with an interest rate of 6.9% on a 10 year fixed rate loan. The monthly payment is $548 per month.

**TRANSPORTATION**

Mike drives a 2017 GMC Yukon, which he bought new. The current monthly payment is $662 with a remaining total balance of $38,642. The car is financed at a rate of 6.2%

Marissa drives a leased 2016 Ford Flex. The monthly payment is $410 and the contract expires in August 2018. She is concerned about having enough money for a down payment for a new vehicle when her lease expires.

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| **INSURANCE** |

**LIFE**

Mike has a $60,000 life insurance plan through his employer.

Marissa has a $50,000 life insurance policy through her employer.

The Burkeys don’t have any life insurance for their children.

**HEALTH**

The Burkey family gets its health care coverage through Marissa’s employer. Her employer just switched over to a high-deductible health plan with a $4,000 family deductible so the Burkey family doesn’t have a monthly premium payment. Marissa is wondering if there are any tax-advantaged programs available with her new health care plan. The family has determined that the coverage through Marissa’s employer is better than what is available through Mike’s employer.

Marissa also has group long-term disability insurance, which covers 60% of her salary.

**AUTO**

Both vehicles and the motorhome are fully insured. Their comprehensive deductible for all vehicles is $100 while their collision deductible is $250. The Burkey family pays a total premium of $1,680 every 6 months to insurance all of their vehicles.

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| **INCOME TAX** |

Mike and Marissa are expecting a tax return of $8,700 from the federal government in early May 2018, but owe the State of Michigan $270.

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| **OTHER THINGS TO KNOW** |

In your presentation, you should consider covering the following questions and any other additional recommendations for the Burkey family.

1. How can they be more efficient in handling their debts?
2. What can they do to better address their goals?
3. Are there any changes needed to their insurance?
4. What should they do about their retirement savings?
5. What’s the best use of the family’s tax return?
6. Do you have any advice regarding their income taxes?
7. What should they do with the inherited assets and other one-time sources of income or cash?