

Money Prodigy

Summer Camp

Day 5



**Simulator: Real Life
Budgeting**

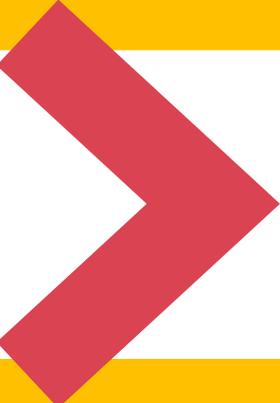


Table of Contents

Determine Your Adult Avatar.....	2
Meet the Adult Avatars.....	4
Fill In Your Budget Sheet.....	17
Real Life Money Simulations.....	18
Money Simulation - Plan B Worksheet.....	27

Determine Your Adult Avatar

We're going to assume new identities for today.

You'll be given an adult avatar with a job, a name, and even a salary!

Each Avatar pair will be at different times in their career, and dealing with different stages of life.

To make this fun and simple, we'll determine who your adult avatar is by using a "fortune teller" that you can print out and use.

Amanda's note: You probably already know this, but it's worth mentioning that when you DO become an adult, your financial fate such as what kind of job you score and the salary you make is NOT determined by chance. It's determined by a bunch of factors, such as your grades, your education, your determination, and your personal skills. But it's kind of fun to do it this way anyway, right?

Fortune Teller Instructions:

It's time to see what your fortune is! Print out the Fortune Teller Document. [Create the fortune teller using this Youtube tutorial for a visual \(CLICK\).](#)

Then follow the directions on the next page.

Determine Your Adult Avatar

How to Use the Fortune Teller:

Step #1: Slide your fingers inside the big flaps high enough until you can open and close the fortune teller. To begin, pick a color on the four corners (either blue, red, green, or yellow).

Step #2: Move your fingers back and forth one time for each letter in your color.

Step #3: Open where you land. Choose a number from the options.

Step #4: Move your fingers back and forth one time until you reach the number you chose (so if you choose number 6, you go back and forth six times).

Step #5: Open where you land. Choose a number. Open up the triangle to reveal your fortune (the name of your avatar for exercise one that is in the white diamond. Ignore the grey diamond).

Meet the Adult Avatars

Got your new adult avatar? Awesome!

Find out more about your avatar below. Pay close attention to what you read, because you'll need the information later.

Also, you'll notice that each of these adult avatars is either female or male. That's because it doesn't matter what gender you are -- you can do the same job and make the same salary!

**Note: jobs and salaries are chosen from the Bureau of Labor Statistics' *Occupational Outlook Handbook* [available here](#).

Avatar 1: Willow/Liam



Age: 27

Occupation: Registered Nurse

Salary: \$56,160, or \$27/hour

Hours in a Typical Day/Week: 40 hours

Job Description: Registered nurses (RNs) provide patient care, including providing advice and emotional support to patients and their family members.

You graduated college with a 4-year Bachelor's Degree at age 23, just a mere four years ago.

You were super-lucky: nurses are in big demand, and so you managed to snag a job at Paoli Hospital in PA (hey, that's where my mother works!) before you even graduated.

Your starting salary was \$50,000/year, and has risen steadily. You also happen to work in an industry where you can do lots of overtime hours. This means that when you work more than the typical 40-hour workweek, you earn more money for doing so. Each hour you work above 40 hours earns you 1.5 times your normal hourly wage of \$27.00, or \$40.50/hour. Wowza! That sure makes overtime work tempting...

Avatar 1: Willow/Liam's Money Breakdown

Your Take-Home Pay Breakdown

You earned a total of (your GROSS pay) \$4,320 this month. But federal + state + local taxes (\$822) and health insurance costs (\$232) needed to be deducted.

After subtracting out the taxes and health insurance costs (what's known as paycheck deductions), each month you bring home (your NET pay) a total of \$3,266. Since you're paid bi-weekly, or every other week, you receive two paychecks of \$1,633 each.

Your Expenses Breakdown

You're hardly ever home with nursing and hanging out with friends, so you've decided for now to rent an apartment with a nurse you met at work. This means you split half of the total rent payment (total is \$1200/month), half of the monthly electricity bill (while this bill can change month to month depending on the amount of electricity you use, the total is generally around \$95/month), and half of the internet + cable bill (total is \$113/month).

Each month you spend around \$250 on groceries, plus around \$100 on eating out and meeting up after work for an appetizer.

You decided to *not* get renter's insurance in order to save some money (who needs that, anyway?), but you do pay \$85/month for car insurance. Speaking of cars, you decided to purchase one as a gift to yourself two years ago and you're still making payments on it of \$316/month. Your typical gas costs are \$100/month.

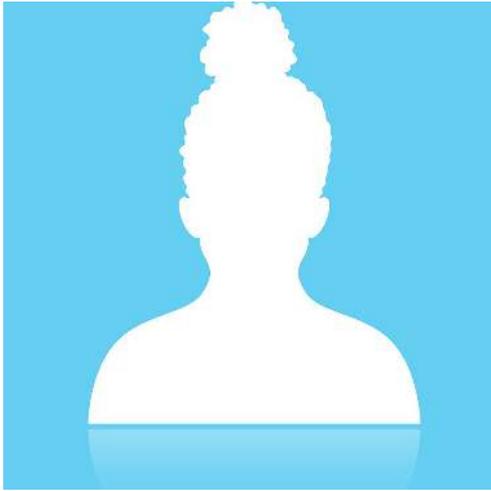
Your cell phone payment is \$110/month, and you typically spend around \$100/month on entertainment (movies, museum tickets, etc.).

College was a great investment for you, because it got you your nursing job! But it did come with a sizable price tag and you needed to take out student loans to finish. Your total student loans are \$25,000 after four years of college. Your monthly student loan repayment minimums are \$277.55. You've decided to send in more than the minimum (\$400/month) in order to pay off your loans faster. Awesome job!

Giving money to help out others has always been important to you. So you decided to "adopt a child" through ChildFund International. The monthly cost to you is \$33, and this provides food, school expenses, and lots of other things to a child in Ethiopia.

Saving money is very important to you as well. You've always want to travel to see the Great Wall of China, and so you set aside \$250/month for this. You save 10% of your NET pay in a retirement account, and you stash an extra \$300/month into an emergency fund. Currently, you have \$3,000 in your emergency fund.

Avatar 2: Amanda/Ryan



Age: 34

Occupation: Seventh-Grade Teacher at a Public School

Salary: \$45,000

Hours in a Typical Day/Week: 9.5 hours/day, ~50 hours/week, minimal hours during the summer (unless you summer teach)

Job Description: You prepare students for future schooling and life by teaching them the basics (such as math + reading).

You graduated college with a 4-year Bachelor's Degree at age 22, a whole 12 years ago.

After a one-year internship at reduced pay, you snagged a full-time teacher position for 7th graders. Your current salary is \$45,000.

Unfortunately, you often put in many hours for this. You work more than 40 hours/week during the school year to prepare lesson plans and grade papers, but you don't get paid extra for those hours. That's because you are paid salary, not by the hour.

During the summer months, you enjoy more time to yourself, working around just 10 hours/week for training.

Avatar 2: Amanda/Ryan's Money Breakdown

Your Take-Home Pay Breakdown

You earned a total of (your GROSS pay) \$3,750 this month. But federal + state + local taxes (\$679) and health insurance costs (\$232) needed to be deducted.

After subtracting out the taxes and health insurance costs (what's known as paycheck deductions), each month you bring home (your NET pay) a total of \$2,839. Since you're paid bi-weekly, or every other week, you receive two paychecks of \$1,419.50 each.

Your Expenses Breakdown

You live alone, and rent a two-bedroom apartment with a total rent payment of \$975/month. A typical month's electricity bill is around \$85/month, though it changes month to month depending on the amount of electricity you use (the summer months and winter months certainly add to this). You decided to go without internet + cable, and instead use your local library's free wifi plus you have Netflix (a DVD rental subscription) for \$12/month.

Each month you spend around \$200 on groceries, plus around \$100 on eating out.

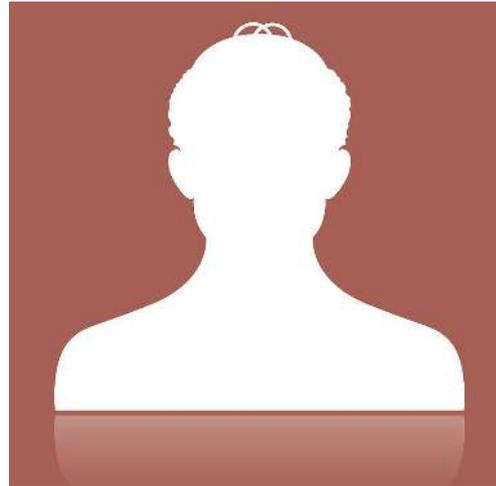
You've got renter's insurance for \$10/month, and car insurance costs you \$85/month. Speaking of cars, you decided to purchase one as a gift to yourself two years ago and you're still making payments on it of \$316/month. Your typical gas costs are \$100/month.

Your cell phone payment is \$110/month, and you typically spend around \$100/month on entertainment (movies, museum tickets, etc.).

College was a great investment for you, because it got you your teaching job! But it did come with a sizable price tag and you needed to take out student loans to finish. Your total student loans are \$15,000 after four years of college. Your monthly student loan repayment minimums are \$166.53.

Saving money is very important to you. However, there doesn't seem to be a lot left to save for everything you want. So you have to prioritize. You save 10% of your NET pay in a retirement account, and you stash an extra \$200/month into an emergency fund. Currently, you have \$2,000 in your emergency fund. Some months you have enough leftover to put \$50 into a savings account to save up for a down payment on a home.

Avatar 3: Jen/Scott



Age: 30, Married with 2 Kids, Aged 3 and 5

Occupation: Physical Therapist

Salary: \$70,000/year or \$33.65/hour

Hours in a Typical Day/Week: 8 hours/day, 40 hours/week

Job Description: You help injured or ill people improve their movement and manage their pain usually through something called Rehabilitation.

You graduated with a Doctor of Physical Therapy (DPT) degree after 4 years of undergraduate school and 3 years in a DPT program.

You were super-lucky: Physical Therapists are in high demand, and you were able to snag a great job at a local nursing home. Though since you were in school for 7 years, you're early on in your career.

Avatar 3: Jen/Scott's Money Breakdown

Your Take-Home Pay Breakdown

You earned a total of (your GROSS pay) \$5,384 this month. But federal + state + local taxes (\$1,010) and health insurance costs for you + your spouse + your two kids (\$649) needed to be deducted. Your spouse's NET pay each month is \$2,600.

After subtracting out the taxes and health insurance costs (what's known as paycheck deductions), each month you bring home (your NET pay) a total of \$3,725. Since you're paid bi-weekly, or every other week, you receive two paychecks of \$1,817.50 each. Plus you have \$2,600 from your spouse, or \$1,300 bi-weekly.

Your Expenses Breakdown

You own a home with a mortgage payment (including property taxes) of \$1641/month. A typical month's electricity bill is around \$150/month, though it changes month to month depending on the amount of electricity you guys use (the summer months and winter months certainly add to this). You're internet + cable bill is \$120/month, and you also have Netflix (a DVD rental subscription) for \$12/month.

Each month you spend around \$600 on groceries, plus around \$100 on eating out.

Homeowner's insurance is \$75/month, and car insurance on two vehicles costs you \$150/month. Speaking of cars, you've got two, with one car payment of \$317/month and one car payment of \$350/month. Your typical gas costs are \$200/month.

Your cell phone payment for two adults is \$150/month, and you typically spend around \$300/month on entertainment (movies, museum tickets, etc.).

In order for you and your spouse to work, you need to pay for daycare. Your total daycare cost each month is \$800.

College was a great investment for you + your spouse, because it got you your jobs! But it did come with a sizable price tag and you needed to take out student loans to finish. Your total student loans between both of you are \$45,000. Your monthly student loan repayment minimums are \$166.53.

Saving money is very important to you. However, there doesn't seem to be a lot left to save for everything you want. So you have to prioritize. You save 10% of your NET pay in a retirement account (NET being both you + your spouse's income), and you stash an extra \$200/month into an emergency fund. Currently, you have \$2,000 in your emergency fund.

Avatar 4: Alison/George



Age: 24

Occupation: Computer Support Specialist

Salary: \$36,000/year

Hours in a Typical Day/Week: 8 hours/day, 40 hours/week; however, you're often on-call evenings and weekends.

Job Description: You assist non-IT users who are having computer problems.

You graduated with a 2-year professional degree just two years ago.

Finding a job was a little difficult to do. So after graduating you kept expenses low by moving in with your Mom and Dad. However, you scored a job within 3 months and since you had saved money while living at home, you could afford first month, last month, + a deposit on a new apartment.

Your starting salary is \$36,000/year, with the promise of a raise (if you do well) at your one-year performance review with your boss.

Unfortunately, since you are salary, you do not earn money for extra hours you work. It is part of your \$36,000/year salary, and you often receive phone calls or emails from people who need help after you've left work.

Avatar 4: Alison/George's Money Breakdown

Your Take-Home Pay Breakdown

You earned a total of (your GROSS pay) \$2,769.23 this month. But federal + state + local taxes (\$450) and health insurance costs for you (\$232) needed to be deducted.

After subtracting out the taxes and health insurance costs (what's known as paycheck deductions), each month you bring home (your NET pay) a total of \$2,087.32. Since you're paid bi-weekly, or every other week, you receive two paychecks of \$1,043.66 each.

Your Expenses Breakdown

You rent a room from a homeowner for just \$600/month. This includes use of a bathroom + kitchen + living room in case you want to host guests. A typical month's electricity bill is around \$40/month, though it changes month to month depending on the amount of electricity you guys use (the summer months and winter months certainly add to this). You're internet + cable bill is shared with the homeowner, so you pay your half of the total \$120/month bill.

Each month you spend around \$200 on groceries, plus around \$100 on eating out.

You've decided to not buy renter's insurance to save money (besides, you don't own much anyway!), and you don't own a vehicle so there are no gas charges or insurance charges. However, you've still got to get to work! You ride the metro to work each day. Your typical transportation costs are \$200/month.

Your cell phone payment is \$50/month, and you typically spend around \$100/month on entertainment (movies, museum tickets, etc.).

College was a great investment for you because it landed you your job! You did great in high school, and with a little work on your part researching scholarships and grants, you came out of college debt-free. Bravo!

However, you do have a small loan of \$3,000 from your parents for the several months that you lived with them (when you weren't making any money, remember?). You pay them back \$200/month.

Saving money is very important to you. However, there doesn't seem to be a lot left to save for everything you want. So you have to prioritize. You save 10% of your NET pay in a retirement account (NET being both you + your spouse's income), and you stash an extra \$100/month into an emergency fund. Currently, you have \$500 in your emergency fund.

Monthly Budget

FILL IN YOUR MONTHLY EXPENSES FROM YOUR ADULT AVATAR INFORMATION

Fixed Expenses*

Rent/Mortgage: _____
Car Payment: _____
Cell Phone: _____
Internet + Cable: _____
Renter's Insurance: _____
Homeowner's Insurance: _____
Car Insurance: _____
Daycare: _____
Debt Repayment: _____

Variable Expenses**

Gas: _____
Groceries: _____
Electricity: _____
Eating Out: _____
Entertainment: _____

Savings

Retirement Savings: _____
Emergency Savings: _____
Travel Savings: _____

Leftover Each Month (Add up all expenses + savings, then subtract from your take-home Pay): _____

* this means they don't change month-to-month

** this means they change depending on how much you use each month

Real Life Money Simulations

It's likely you've heard your parents talk about or even gripe about money.

That's because of a number of situations that may have crept up.

Things like:

- :: Unexpected expenses
- :: Job Loss/Income Loss
- :: New Expenses
- :: Emergencies they couldn't have predicted
- :: etc.

Today you're going to learn a bit more about what can happen in the "real world". And these can be both GOOD and BAD things.

Real Life Simulations

Even the best money planners will have issues creep up from time to time. And that's perfectly okay -- it's all part of life.

What matters is how you handle these situations.

Break out your fortune teller that you made. Play the game again, except this time, the grey diamond is the Real Life Money Simulation you get assigned (you'll ignore the white diamond). Once you're assigned a simulation, go through it below.

Real Life Money Simulations

You'll be given a circumstance that is taken out of real life -- that's why they're called the Real-life Money Simulations! -- and you'll need to come up with a Plan B.

Plan B is your go-to when something goes wrong and your first plan (usually the easiest one) doesn't work.

If your first plan, Plan A, is to have your budget work smoothly like it did in the Budget Sheet you filled out, then your Plan B is what happens when it doesn't work smoothly...but you still have to come up with something because, hey, situations need to be taken care of whether you have money for them or not!

Each plan comes with hints, but I want you to use your own creativity/imagination before you look at the hints (a PDF document under Day #5's tab in the Membership Area).

Remember, no matter which Real Life Money Simulation you get, be sure to fill out the Money Simulation - Plan B Worksheet. Be thorough with these! I'll want to see them and give you some suggestions, tips, and kudos for the work that you've done.

Go get 'em!

P.S. Please send me the Money Simulation - Plan B Worksheet after you are finished at frugalconfessions@hotmail.com, subject line: Real Life Simulation. You'll hear from me within a week!

Real Life Money Simulation #1: You Lose Your Job

You've received devastating news: today you lost your job.

Your boss says it is no reflection on your great work performance -- she's even going to give you a reference for you for future job placement -- but the economy has slowed enough that there is just not as much demand for the work being done at your current company.

First off, don't feel too bad! It's okay to feel down about this (I've lost my job before as well). But this happens from time to time and this time it was through no fault of your own.

Let's take a look at what you need to do/think about in order to get your money in check and survive through the unemployment period:

Money Breakdown

:: You will receive one more paycheck in two weeks from now.

:: You will receive what's known as "unemployment insurance", which basically is a way to help people out who have lost their job. The amount you will receive is \$300/week.

:: Your health insurance, that you pay through your employer, will end at the end of this month. To keep your employer's health insurance, the cost will be \$1,300/month!

Decision Time

You need to figure out how you're going to balance your budget next month now that you are unemployed. You will also have to figure out what you're going to do about health insurance (because let's face it, you can't really afford \$1,300/month at all, or for long).

Remember, you can see the "hints" PDF for help after working through Money Simulation - Plan B Worksheet by yourself first.

Real Life Money Simulation #2: You Welcome a New Puppy into Your Life

Congratulations! You're the new Mama or Papa of a beautiful puppy.

It's something you've always wanted, and you're secretly stoked to finally have done something about it.

Let's take a look at the cost breakdown for what it takes to raise and feed your new family member:

Money Breakdown

:: *Veterinary Costs*: This is a new pup, so the first month is going to cost you \$125 in Vet fees for some vaccinations & check-ups. Normal monthly cost for a vet will be \$25 (to save up to future visits).

:: *Food Costs*: \$20/month

:: *Dogwalking Costs*: Since you work during the day, you need to find someone to walk your dog. You find a neighbor who will walk your dog for \$10/day, five days per week (or \$50/week).

:: *Heartworm + Flea/Tick Medication*: \$25/month

Total New Monthly Cost: \$_____.

But that's not all.

Next month, you were planning a one-week vacation to the beach.

It's something you're majorly looking forward to (sun + ocean + a whole week off from work!).

Uh-oh. What are you going to do with your new puppy? He'll need someone to take care of him, or he'll need to be "kenneled", meaning you take him to a doggie daycare and someone will care of him there.

So on top of your new monthly costs of \$_____, you'll need to come up with \$175 for doggie daycare + \$125 for those vaccinations (assume next month is your first vet visit, and so there's one-time cost for lots of vaccines).

Decision Time

How will you come up with this amount for next month? You've already got this cute little puppy and committed to him, so taking him back is not an option. Work through the Money Simulation - Plan B Worksheet to figure it out.

Real Life Money Simulation #3: Hurricane Katniss Soaks Your Belongings

Everyone is perfectly safe and healthy. That's the good news!

The bad news, of course, is that you lost most of your belongings. While your friends + family have pitched in to help you with some items, you're looking at a lot of money to replace everything.

Money Breakdown

:: *Insurance Costs*: If you have insurance, you should know there's a \$1,000 fee to use it. It's called your deductible, and it's the portion you have to pay before the insurance company kicks in with their portion of help.

:: *Overall Estimated Loss*: To replace all of the belongings you lost such as a bed, a couch, and your television, it will cost you about \$3,500. That means if you've got insurance, then you pay \$1,000 of that, and the insurance company will pay the remaining \$2,500. If you don't have insurance, then you need to come up with all of the money.

Decision Time

Use the Money Simulation - Plan B worksheet to work through how you are going to come up with the money to replace your belongings, (whether it's the \$1,000 deductible, or the full \$3,500).

Real Life Money Simulation #4: You Get a New Job Opportunity

Way to GO!

This new job sounds absolutely awesome. It's a step up the career ladder for you, and uses your college degree -- what you've always dreamed of!

The only problem? It's located in another state. So you'll have to consider whether or not you can afford to take it. First you'll need to consider the moving costs. And then you'll need to consider what's called "Cost of Living" costs. This means, what does it cost to survive in this new area you'll be living compared to your current living expenses? Let's take a look.

Money Breakdown

:: *Moving Costs*: In order to move to this new area, you will need to rent an apartment to begin with. You will need first + last month's rent, as well as a rent deposit, which is equal to one month's rent as well (this is required by most landlords). Your new rental expense each month is \$1200. So you'll need \$3,600 in order to move into your new apartment.

:: *Cost of Living Changes*: Your cost of living (things like rent, electricity, cell phone) will remain the same. Except for the following -- your car insurance will increase by \$30/month, your gas bill will increase by \$100/month (your new apartment is

further away from work, so you will use more gas now), and your groceries will increase by \$50/month (food costs more in the part of the country you are moving to).

:: *Salary Increase*: The good news? Your pay is going to increase as well. You will be making an extra \$3,000/year. Take out taxes, and then divide this number by 12 months, and your new extra take-home pay per month is: \$187.50.

Decision Time

Your goal is to figure out whether this is a good opportunity for you to take or not. Can you afford to make the move? Can you afford the new cost of living increases (the month-to-month ones, like an increase in your grocery and gas costs) on your new income?

Use the Money Simulation - Plan B worksheet to work through this scenario and answer this question.

Money Simulation - Plan B

Worksheet

Instructions: Work through your Real Life Money Simulation using this worksheet + refill out the Monthly Budget Worksheet from Page 17 with your new information.

Your Real Name: _____.

Your Adult Avatar Name: _____.

You're working through Real Life Money Simulation # _____.

How much money will you earn next month? Be sure to take into account any changes to your pay per the simulation scenario (both good, and bad) \$_____.

How much are your expenses for next month? Be sure to account for any changes from your normal expenses per the simulation scenario \$_____.

Subtract your expenses for next month from your new income from next month: \$_____.

If this number is positive, then you've got enough to cover all your expenses.

If it's negative, then you have a budget shortfall, and need to figure out how to come up with enough money to get back to \$0 or a positive number.

Got a shortfall? Use the next sheet to work through it.

Money Simulation - Plan B

Worksheet

Budget Shortfall Brainstorm: *Uh-oh...you've got a budget shortfall. You need to re-balance your budget to get back to a \$0 or a positive number for next month. In order to do that, you can either a) earn additional money, b) decrease spending in one or more categories, or c) do both. Use this space to brainstorm at least 5 ideas. No answer is too silly!*

	Money Saved/Earned from Your Idea
1. _____	\$ _____
2. _____	\$ _____
3. _____	\$ _____
4. _____	\$ _____
5. _____	\$ _____
6. _____	\$ _____
7. _____	\$ _____
8. _____	\$ _____
Total Money Saved/Earned	\$ _____

Money Simulation - Plan B Worksheet

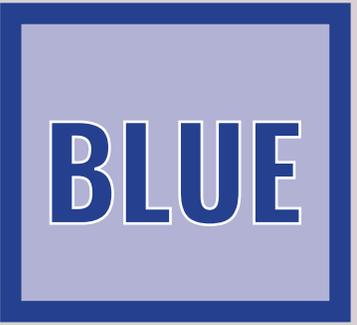
Questions: Think through the following questions and answer them as best as you can.

Were you able to find a way out from the Budget Shortfall? _____.

If so, how long (months) will your money last you under this current situation? _____.

How will this new financial scenario change your future? Will you have to cut back permanently in some categories? Will you be able to save up for the things or experiences that you wanted to?

Did you decide to use money from your emergency fund? If so, does this real life simulation count as an "emergency"? Why or why not? How do you plan on refunding your emergency fund in the next coming months so that it's ready to go for any future scenarios?



1

2

3

4

8

5

7

6

Avatar #1
Willow/Liam

Avatar #2
Amanda/Ryan

Simulation #3
Hurricane
Katniss
Soaks Your
Belongings

Avatar #4
Alison/George

Simulation #1
You
Lose
Your
Job

Simulation #4
You Get a
New Job
Opportunity

Simulation #2
You
Welcome
a New
Puppy
Into Your
Life
Avatar #3
Jen/Scott

GREEN

BLUE

YELLOW

RED