



## 2021 National Personal Finance Challenge Competition

### Case Study Analysis: Rules and Student Instructions

1. Each team is provided the same information about a fictional family's financial situation.
2. The information provided about this family is not complete. You are free to make assumptions/create additional information about your family if you wish.
3. You may not change any of the information that is provided.
4. Your presentation must be between 10 and 15 minutes long.
5. You must use a presentation program (i.e. PowerPoint, Google Slides, etc.) to present your analysis.
6. Each member of your team must participate in the presentation.
7. Your teacher may not assist you in any way.
8. Speak clearly and project.
9. Use notes only as an aid—do not read.

### Your Team's Goal

Your goal is to provide this family an analysis of their current financial situation, along with direction and advice with respect to their stated goals.

Your recommendations can include a budget sheet, a cash flow document, or any other method of presenting your analysis. Regardless of method of presentation, you should include the following four areas:

- Debt management
- Savings
- Insurance
- Taxes

Your recommendations and presentation do not need to be limited to these areas, but including them is a minimum requirement.



### Meet the Ruetelshofer Family

#### **Hugo, age 48**

- Until June of 2020, was a 5<sup>th</sup> grade English teacher with an annual salary of \$65,000
- Voluntarily quit to provide education support for both children, whose schools were in a remote learning environment for the entirety of 2020-21
- Will start a new teaching position in August 2021, but at a lower salary of \$60,000

#### **Gretchen, age 47**

- Employed since 2008 at Proctor and Gamble, currently the Assistant to the Vice President for Global Marketing, Asia Division
- Salary: \$110,000/year

#### **Otto, age 14**

- Has been a fan of the Big Blue Nation for years (even though they do not live in Kentucky) and dreams of going to the University of Kentucky

#### **Wolf, age 10**

- No specific university aspirations, but does want to become a veterinarian

### Financial Situation

#### Assets

- While he was employed, Hugo was making monthly contributions to his 403(b) plan, which had a balance of \$105,000 when he left his job.
- During his unemployment, Hugo withdrew \$50,000 from his 403(b) to help with expenses. He did this penalty-free as part of the CARES act of 2020.
- Gretchen was contributing \$1,000 per month to her 401(k), but discontinued making contributions when Hugo quit his job. Her current balance is \$156,000.
- They have a savings account with \$4,500 and a checking account with an average balance of \$3,000.
- Their home is currently valued at \$350,000, with \$70,000 of equity.
- They have two cars, each valued at \$19,000 for trade-in or sale.

#### Debts

- The Reutelshofers purchased their home in 2016 at a 4.4% fixed interest rate. They have 25 years left on their 30-year mortgage. Their all-in monthly payments (P&I and taxes) are \$1,671.

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- Both cars (a 2018 BMW and a 2017 Acura) have balances of \$20,090 and \$18,100, respectively. The BMW loan has a monthly payment of \$495 and an interest rate of 4.2%. The Acura has a monthly payment of \$458 and an interest rate of 5.1%.
- Hugo has four credit cards, one with a \$2,200 balance and one with a \$1,876 balance. The first credit card has a 14.58% APR, and the second one has an 18.8% APR. The other two have no balances, but both have a 9.52% APR.
- Gretchen has a student loan that still has a \$5,470 balance.

#### Miscellaneous

- When each son was born, Hugo and Gretchen opened and made deposits to 529 accounts for them, although when Hugo left his job those contributions ended. Grandparents have also contributed over the years, resulting in balances of \$5,000 for Otto and \$3,000 for Wolf. Grandparents began contributing when Hugo left his job and will continue to contribute in the amount of \$500 per year per child.
- Gretchen has life insurance through her employer for twice her salary at no cost to her. The family is on her health insurance plan (the most expensive option) at a cost—her share—of \$350 per month. The cars are both covered with policies that require the least amount of deductibles at a combined cost of \$290 per month.
- Last year, the Reutelshofers received a \$2,150 stimulus check as a result of the CARES Act; earlier this year they received \$1,150 in stimulus relief. They used both of these payments to pay down credit card debt and the balances above reflect that.
- They typically receive about \$3,000 in income tax refund each year—this year it was \$3,500. In past years they have used the refund to go on vacation. They have not yet committed this year's refund to a specific use and have just deposited it in their savings account until they decide what to do with it.

#### Goals

- The Reutelshofers would like to get out from under their credit card debt and pay off Gretchen's student loan.
- They would also like to begin contributing to their sons' 529 plans again to minimize the sons' needs to take on student loans.
- Hugo would like to replenish his 403(b) plan.
- Hugo would like to leave teaching when he is 55 years old so he can write the Great American Novel.
- Gretchen would like to retire when she is 65. If Hugo continues teaching, he would like to retire when he reaches 65.

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- They would like to replace the 2018 BMW (it has more miles than the Acura).

Things to Consider

- Should Hugo leave his teaching job at age 55?
- How should they plan for emergencies?
- How can they handle their debt more effectively?
- How should the family use their income tax refund?
- How should they use any additional stimulus money?
- Are they adequately insured?
- Are there changes that need to be made to their insurance policies?
- Are there changes that need to be made to their retirement plans?
- How can they achieve their goals?