

CASE STUDY D

Doug Wilson is a 55 year old single man whose wife passed away about 10 years ago. He has grown kids who support him, and resides in a nice 4 bedroom house in Montana. Doug has been working for 30 years for an agricultural company. There are no real monthly financial problems, except that he can't seem to set much savings aside and is worried he won't have enough to retire. He is a committed Christian and is very dedicated to his church.

He has been contributing 4% of his income to his company's 401k retirement plan (they match his contribution up to a maximum of 4%). His employer does not provide a pension or medical benefits in retirement. He receives income tax refunds each year, but that money just seems to disappear soon after he gets it. Medical insurance is provided by Doug's employer for a small monthly amount, and they provide disability insurance at no cost.

Develop a recommended new budget for Doug, with the goal of getting him better prepared for retirement. Complete the "% Spending Plan" tab, using appropriate percentages from the "Percentage Guide" tab. In the "Spending Plan" tab, complete the "new budget" column, explaining significant changes in the "current budget" column.

The questions below will be in the Test for Case Study D. They are listed here so you can be thinking about the forms in this spreadsheet.

1. List at least four questions you might ask to help Doug evaluate having enough money to retire? What would you do for each question?

- What other items might we be missing from this list? Do you have any other debts / sources of income that we should be accounting for? I'd like to make sure we are setting him up for success. It will be more challenging if we are missing large expenses that need to be accounted for.
- What do you plan to do in retirement? What kind of lifestyle do you plan to lead? I would like to determine what budget he anticipates. This will dictate how much money he will need to save and how much longer he will need to work.
 - o This is not something he will be able to predict, but it may be helpful to talk through how healthy he is now. If he is already struggling with health issues then I would anticipate his medical bills to be larger in retirement.
- What is the income tax return being spent on? This will need to be properly accounted for while Doug is still working. \$4k is 80% of his income. He should look to put that towards retirement while he is still working.
- Would it be hard to part with your house? Would it be hard to part with your car? These are by far his largest monthly expenses and have the most impact on 'moving the needle' in his budget. If Doug is willing to make some sacrifices in this area then he could significantly cut his monthly expenses and free up more money towards retirement.

2. How would you approach Doug's inability to save for retirement? What "low hanging fruit opportunities" do you see for him?

- I would discuss a number of opportunities with Doug. Low hanging fruit opportunities include his ability to cut back on groceries and pay off his relatively small credit card debt.
- Another option is to sell his truck and purchase a used car. \$619 per month is significant. If that went towards retirement instead, he could save more!
- A harder item would be his home as he may have fond memories of his kids and wife in that house. However, it is far too large for his budget. An easier option would be to rent out one, two, or three bedrooms to bring in some significant extra income. A harder option, if necessary, would be to sell the house and downsize. Lowering his monthly expenditures in this category would allow him to contribute more to retirement.
- I would encourage Doug to ensure his investment assets (currently in Robin Hood) are not in volatile 'day trading' type stocks. He should look for funds or indexes that are more stable. Though a smaller return, much less risk.

3. Though Doug does not have sizable debt now, what advice would you give him about paying off his credit card debt and his future indebtedness?

- I would advise Doug to pay off his credit card debt as soon as possible. Though it is only \$50 a month, the interest is high and could instead be putting that towards retirement.
- I would also encourage Doug to live within his means and not incur any additional debt.

4. While referring to the Crown MoneyMap, what changes would you recommend for Doug to make in order to reach his first four destinations? List each destination followed by specific actions he should take in that destination to reach the next destination.

1. The only item he has left to complete Step 1 is to finish putting together a budget based on spending habits. The MoneyMap course will help him complete that step!
2. To complete Step 2 he will need to pay off all his credit card debt. To do this, he should work his new budget to pay more than his minimum payment towards his credit card debt. He could also look to find alternative, creative ways to increase his income. This would only add to the momentum in paying off his debt and putting that money towards retirement.
3. Doug will need to pay off his truck and increase his savings to complete Step 3. This can be completed using the same method - once he pays off his credit card debt he can put that payment towards his car. Or, he could look to purchase something cheaper. Once his credit card and auto debt is paid off his savings should increase rapidly. He should put that entire amount every month towards his savings.
4. Doug will need to continue increasing his savings to cover 6 months living and save for retirement. He will need to be diligent with his budget and not incur any additional debt. Finding alternative, creative income sources will be a key part of the process.

5. What steps can Doug take to leave a legacy for his children that will impact eternity, as well as earthly life?

If he hasn't already, Doug should set up a will or trust. When he eventually passes, this will be a great gift to his children during an emotionally challenging time. In addition, he can be a great example to his children through this process. He should put together a budget, pay down debt, and ensure he is prepared for retirement. If he and his wife had not already done so, his children to do the same, he can start now. The case mentions Doug is a Christian and he is faithful in giving to charity. Assuming his kids know about Jesus Christ. If not, that would be the first recommendation!

Instructions

1. Find the family situation that most closely represents your family (i.e. Married with 4 children, Single with roommate, etc.).
2. Find the gross income level that most closely represents your family (i.e. \$25,000 to \$125,000).
3. Taxes include all current actual monthly Federal, Social Security, Medicare, State, and Local Income Tax Taxes.

Suggested Percentage Guidelines For Family Income

(Married with 4 Children)

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
1. Tithe/Giving	10%	10%	10%	10%	10%	10%
2. Total Taxes	Use Current Monthly Taxes					

Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%

3. Housing	38%	38%	34%	33%	32%	32%
4. Food	15%	15%	14%	14%	14%	14%
5. Transportation	14%	14%	12%	12%	11%	11%
6. Insurance	5%	5%	5%	5%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	3%	4%	4%	5%	5%	5%
9. Clothing	5%	5%	6%	6%	7%	7%
10. Savings	4%	4%	5%	5%	5%	5%
11. Health & Wellness	8%	7%	7%	7%	7%	7%
12. Miscellaneous	3%	3%	5%	5%	5%	5%
13. Investments	0%	0%	3%	3%	4%	4%
Total Net Spendable Income:	100%	100%	100%	100%	100%	100%

14. School/Child Care no guideline percentages

Suggested Percentage Guidelines For Family Income

(Married with 2 Children)

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
1. Tithe/Giving	10%	10%	10%	10%	10%	10%
2. Total Taxes	Use Current Monthly Taxes					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
3. Housing	39%	36%	32%	30%	30%	29%
4. Food	15%	12%	13%	12%	11%	11%
5. Transportation	15%	12%	13%	14%	13%	13%
6. Insurance	5%	5%	5%	5%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	3%	5%	5%	7%	7%	8%
9. Clothing	4%	5%	5%	6%	7%	7%
10. Savings	5%	5%	5%	5%	5%	5%
11. Health & Wellness	5%	6%	6%	5%	5%	5%
12. Miscellaneous	4%	4%	6%	6%	7%	7%
13. Investments	0%	5%	5%	5%	5%	5%
Total Net Spendable Income:	100%	100%	100%	100%	100%	100%
14. School/Child Care	no guideline percentages					

Suggested Percentage Guidelines For Family Income

(Married with No Children)

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
1. Tithe/Giving	10%	10%	10%	10%	10%	10%
2. Total Taxes	Use Current Monthly Taxes					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
3. Housing	40%	36%	34%	32%	31%	30%
4. Food	15%	14%	13%	12%	11%	11%
5. Transportation	15%	14%	14%	13%	13%	13%
6. Insurance	5%	5%	5%	5%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	3%	4%	4%	5%	7%	7%
9. Clothing	4%	4%	5%	6%	6%	7%
10. Savings	4%	4%	4%	5%	5%	5%
11. Health & Wellness	6%	6%	6%	6%	5%	5%
12. Miscellaneous	3%	4%	5%	6%	7%	7%
13. Investments	0%	4%	5%	5%	5%	5%
Total Net Spendable Income:	100%	100%	100%	100%	100%	100%
14. School/Child Care	no guideline percentages					

Suggested Percentage Guidelines For Individual Income

(Single with 1 Child)

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
1. Tithe/Giving	10%	10%	10%	10%	10%	10%
2. Total Taxes	Use Current Monthly Taxes					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
3. Housing	40%	39%	39%	36%	34%	30%
4. Food	15%	14%	14%	13%	13%	12%
5. Transportation	15%	14%	14%	13%	13%	12%
6. Insurance	3%	3%	4%	4%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	3%	4%	4%	6%	6%	6%
9. Clothing	5%	5%	5%	6%	7%	7%
10. Savings	5%	5%	5%	5%	5%	5%
11. Health & Wellness	6%	7%	6%	6%	6%	6%
12. Miscellaneous	3%	4%	4%	6%	6%	6%
13. Investments	0%	0%	0%	0%	0%	6%
Total Net Spendable Income:	100%	100%	100%	100%	100%	100%
14. School/Child Care	no guideline percentages					

Suggested Percentage Guidelines For Individual Income

(Single with No Children / Living Alone)

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
1. Tithe/Giving	10%	10%	10%	10%	10%	10%
2. Total Taxes	Use Current Monthly Taxes					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
3. Housing	40%	38%	36%	34%	32%	30%
4. Food	6%	6%	7%	7%	7%	7%
5. Transportation	15%	15%	14%	14%	13%	13%
6. Insurance	4%	4%	4%	5%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	6%	6%	7%	7%	8%	9%
9. Clothing	5%	6%	6%	7%	8%	8%
10. Savings	5%	5%	5%	5%	5%	5%
11. Health & Wellness	6%	5%	5%	5%	4%	4%
12. Miscellaneous	5%	6%	6%	6%	7%	7%
13. Investments	3%	4%	5%	5%	6%	7%
Total Net Spendable Income:	100%	100%	100%	100%	100%	100%
14. School/Child Care	no guideline percentages					

Suggested Percentage Guidelines For Individual Income

(Single with No Children / Living with Roommate)

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
1. Tithe/Giving	10%	10%	10%	10%	10%	10%
2. Total Taxes	Use Current Monthly Taxes					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
3. Housing	25%	24%	23%	22%	21%	20%
4. Food	6%	6%	6%	7%	7%	7%
5. Transportation	20%	19%	18%	16%	15%	13%
6. Insurance	4%	4%	4%	5%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	9%	9%	9%	9%	10%	10%
9. Clothing	7%	7%	7%	7%	7%	8%
10. Savings	8%	8%	9%	10%	10%	10%
11. Health & Wellness	6%	6%	6%	5%	5%	5%
12. Miscellaneous	5%	6%	6%	7%	7%	7%
13. Investments	5%	6%	7%	7%	8%	10%
Total Net Spendable Income:	100%	100%	100%	100%	100%	100%
14. School/Child Care	no guideline percentages					

Revised Oct 29, 2022

Percentage Spending Plan

Gross Monthly Income		<i>from Current Spending Plan:</i>	10,000	120,000
	Input appropriate % from "Percentage Guide"			Annual Income
Income Deductions	Percentage	x	Gross Monthly Income	= Guideline Amount
1. Tithe/Giving	10%	x	10,000	1,000
2. Total Taxes	<i>no guideline</i>		<i>actual from Current Spending Plan:</i>	3,865
Net Spendable Income (NSI)				5,135
				61,620

Annual NSI

Expense Category	Percentage	x	Net Spendable Income	=	Guideline Amount
3. Housing	32%	x	5,135	=	1,643
4. Food	14%	x	5,135	=	719
5. Transportation	11%	x	5,135	=	565
6. Insurance	5%	x	5,135	=	257
7. Debts	5%	x	5,135	=	257
8. Entertainment/Recreation	5%	x	5,135	=	257
9. Clothing	7%	x	5,135	=	359
10. Savings	5%	x	5,135	=	257
11. Health & Wellness	7%	x	5,135	=	359
12. Miscellaneous	5%	x	5,135	=	257
13. Investments	4%	x	5,135	=	205
14. School/Child Care	<i>no guideline</i>				
Total Percentages: (cannot exceed 100%)			100%		
Total Guideline Expenses: (cannot exceed Net Spendable Income)					5,135

OK

Revised Oct 29, 2022

Spending Plan	Current	Guideline	New Budget	Comments
---------------	---------	-----------	------------	----------

INCOME vs. EXPENSE SUMMARY (calculated)			
--	--	--	--

Net Spendable Income	5,135		7,635	
Less Total Expenses	6,562		6,797	
Surplus or Deficit	(1,427)		838	

Monthly Income			
-----------------------	--	--	--

<i>Gross Monthly Income</i>	10,000		12,500	
Monthly Salary	10,000		10,000	
Interest Income				
Dividends				
Commissions				
Bonuses/Tips				
Retirement Income				
Net Business Income				
Other Income			2,500	
LESS				
Category 1 - Tithe/Giving (monthly)	1,000	1,000	1,000	
The Local Church	1,000		1,000	
The Poor				
Other Ministries				
Other Giving				
Category 2 - Taxes (monthly)	3,865	3,865	3,865	
Taxes (Fed, State, Medicare, Social Security)	3,865		3,865	
Other				
<i>do not include medical/dental premiums, retirement plans, HSA/FSA contributions, charity contributions that are taken out of the paycheck. Instead, include these deductions as expenses below</i>				
NET SPENDABLE INCOME (monthly)	5,135	5,135	7,635	

Doug should look for ways to earn some extra income. Can he rent out a couple rooms to help offset the large mortgage payment?

Monthly Expenses			
-------------------------	--	--	--

Category 3 - Housing (monthly)	3,818	1,643	3,738	
Mortgage(s) <i>(from Debt List)</i>	2,576		2,576	
Extra Mortgage Payment				
Rent				
Insurance	250		250	
Property Taxes	432		432	
Electricity	170		170	
Gas	80		80	
Water	40		40	
Sanitation	30		30	
Telephone / Cell phone	80		80	

This house is too expensive for Doug. If he cannot refinance, he should look to renting rooms out or to selling and downsizing.

Spending Plan	Current	Guideline	New Budget	Comments
Maintenance				Can we negotiate this down?
Internet / Cable Service	160		80	
Other				
Category 4 - Food (monthly)	600	719	450	
Grocery	600		450	This is close to what Kevin and I spend for the two of us on groceries per month. Can Doug cut back / buy more store brand items?
Other				
Category 5 - Transportation (monthly)	1,021	565	1,021	
Auto Payment(s) <i>(from Debt List)</i>	619		619	Doug should consider selling his truck and purchasing a certified pre-owned car without a monthly payment.
Extra Auto Payment				
Gas & Oil	200		200	
Auto Insurance	150		150	
Licenses & Taxes	12		12	
Maintenance	40		40	
Replacement				
Other - Tolls/Parking/Transit Fares				
Category 6 - Insurance (monthly)	135	257	75	
Life (\$30,000 Whole Life)	60		75	Whom would this money go to? If his wife has passed away and all of his kids are grown and living on their own, then I do not see a need for this.
Health/Dental	75			
Disability				
Other				
Category 7 - Debts (monthly)	50	257	150	
Total Credit Cards <i>(from Debt List)</i>	50		50	Doug needs to pay off his debt and then start putting that money towards retirement.
Total Other Debt <i>(from Debt List)</i>	0		0	
Extra Debt Payments			100	
Category 8 - Entertainment & Recreation (monthly)	210	257	210	
Eating Out / Lunches	80		80	
Baby Sitters				
Activities / Trips	55		55	
Vacation	75		75	
Pets				
Hobbies and Sports				
Other				
Category 9 - Clothing (monthly)	50	359	50	
Clothing	50		50	
Other				
Category 10 - Savings (monthly)	25	257	250	
Savings Account	25		250	

Spending Plan	Current	Guideline	New Budget	Comments
Credit Union				
Other				
Category 11 - Health & Wellness (monthly)	70	359	70	
Doctor	20		20	
Dentist	20		20	
Prescriptions	10		10	
Eye Glasses / Contacts	20		20	
Other				
Category 12 - Miscellaneous (monthly)	133	257	133	
Toiletries / Cosmetics				
Beauty / Barber	20		20	
Laundry / Cleaning				
Allowances				
Subscriptions	3		3	
Gifts (including Christmas)	40		40	
Cash	70		70	
Other				
Category 13 - Investments (monthly)	450	205	650	
Employer 401k/403b plans	400		400	
Retirement IRAs				
College Funds				
Non-Retirement Stocks, Bonds, Mutual Funds	50		250	
Investment Real Estate				
Other				
Category 14 - School/Child Care (monthly) (1)	0		0	
School Tuition				
School Books, Supplies, Materials, etc				
Transportation				
Day Care				
Tutoring, Lessons for Music, Dance, etc				
Other				
Total Expenses	6,562	5,135	6,797	

(1) This category does not have a guideline amount.

Form Version Nov 28, 2022