

Case Study B

This young family lives in Southern California where the cost of real estate is high. Jerry is 40 years old and works as a police officer. Janice is 38 years old and is an X-ray technician. Neither are followers of Jesus Christ, but they do have a religious background. They do not attend church. They have two young children, Billy who is 8 years old, and Barb who is 6 years old.

Due to the financial challenges in this home, Jerry and Janice do not have a good marital relationship. In fact, they are seeing a counselor weekly to save and strengthen their marriage. Previously unknown to Jerry, Janice has accumulated most of the credit card debt (Credit cards #1 to #5). He recently became aware of this debt and reached out to Crown for budget coaching. Currently, they are trying to make the minimum payments on all their debts.

Both Jerry and Janice are paid twice a month, on the first and fifteenth. Jerry has a part-time job as a security consultant. Jerry's employer pays the full premium for medical, dental and vision insurance for himself, Janice, and the two children. The medical plan doesn't charge for preventive care, but carries a 6,000 family deductible and pays various percentages after the deductible is met. Dental is no charge for regular cleaning and check-ups, and a percentage of dental repair. The Vision Insurance covers the cost of an annual vision exam and 50% of the cost of glasses or contact lenses.

Jerry's employer provides paid life insurance in the amount of 2 years salary. In addition, he has a term policy with Janice as the beneficiary. His employer also provides disability insurance which will pay 100% of his salary for short-term illnesses and 50% of his salary for long-term disability (longer than 6 months).

Jerry and Janice own their primary home. They kept their former home (which they originally bought for about \$650,000) as an investment home. Its monthly mortgage payment is 3,600. They get monthly rental income of 3,900, leaving 300 each month for maintenance, repairs, vacancies and other rental property costs. They are convinced that real estate, especially in Southern California, is a better investment than putting money into a 401k retirement plan.

They have been contributing 100/mo per child to a 529 college savings fund. Their goal is for their kids to not have to take out student loans or work their way through college.

Help Jerry and Janice with their budget and debts.

- 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 "comments" column.
- Complete the Debt Snowball Calculator.

What are their individual MU and PID scores

The questions below are from the Case Study B Assignment. They are listed here so you can be thinking about them as you review the forms in this spreadsheet.

1. Neither are followers of Jesus Christ, but they do have a religious background. They do not attend church. How can you gently introduce them to Jesus Christ as their personal Savior?
2. What biblical principles and practical tools could you suggest to help them find contentment while getting their discretionary spending under control?
3. Jerry and Janice have different goals. How can you help them both align on and achieve their goals? Jerry's Goals: Get out of credit card debt; balance the budget; live within their income; save more. Janice's Goal: Spend money without feeling guilty.
4. After completing the Percentage Spending Plan to show the guideline amounts, what recommendations would you bring to Jerry's and Janice's attention first? Why?
5. While referring to the Crown MoneyMap, what would you recommend they do in each of the first three Destinations? (List each destination along with specific suggestions for that destination before moving to the next.) In light of this, how would you advise them about contributing to their kids' college savings funds?
6. What options would you discuss with them regarding their rental/investment house?
7. From the Debt Snowball Calculator, answer the following questions:
 - How long will it take to pay off all their non-mortgage debt if they don't make any extra payments?
 - How long will it take to pay off all their non-mortgage debt if they pay an extra \$200/month?
 - How much extra per month should they pay if they want to be debt-free except for the mortgage in 5 years?

Direct them to watch Chuck's video as homework?
21:20 the wise save for the future, but the foolish spend whatever they obtain
22:7 the borrower is servant to the lender

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The guidelines show room for improvement in each and every category. We need to discover the reasoning / rationale behind each spend in these categories.

Prioritize the budget slightly different. Look at basic needs first, then the investment property. Tithe and save #1.

What is the long term goal of this 2nd home

Novemehr 2028
I am not having much luck with the calculator

Assets & Liabilities	
Date:	5/28/2024

Comments

ASSETS (Present Market Value)	Balance
Cash On Hand (both husband and wife if married)	2,000.00
Checking Accounts	150.00
Savings Accounts	
Stocks and Bonds	
Cash Value of Life Insurance	
Valuable Collections (coins, stamps, etc.)	
Primary Home Value (look up value, e.g., zillow.com)	900,000.00
Other Real Estate (Rental Property)	700,000.00
Mortgages/Notes Receivable	
Automobile 1 - 5 year-old Acura RDX	20,000.00
Automobile 2 - 2 year-old Ford F-150	30,000.00
Automobile 3 (look up value, e.g., kbb.com)	
Personal Property (Furniture, Jewelry, etc.)	
Retirement Savings (Jerry's 401k)	60,000.00
Retirement Savings (Janice's 401k)	10,000.00
College Savings Account	4,000.00
Total Assets:	1,726,150.00

We are going to move this to a savings account or a no penalty CD for your emergency fund.

Since this is a second home, can we sell and find another rental property while using the proceeds to get your finances in order first?
Why are we not showing the \$300 per month gain here for the 2nd property?

Avg list \$23,800 ~ \$29,500
 Avg list \$29,900

Can you make a withdrawal or loan without a penalty?

I like this. You will need ~\$360,000 by the time the youngest child graduates. (~\$19k / year going forward to fully fund both children)

LIABILITIES / DEBT LIST

CREDIT CARDS (only list cards for which you do not pay the full statement balance each month)

Credit Card Issuer	What Was Purchased	Minimum Monthly Payment	Interest Rate	Months Past Due	Balance Due
Credit Card #1		255.00	27.5%		10,000.00
Credit Card #2		45.00	24.3%		2,200.00
Credit Card #3		380.00	21.0%		18,000.00
Credit Card #4		560.00	20.0%		28,000.00
Credit Card #5		240.00	22.3%		10,800.00
Total Credit Cards		1,480.00			69,000.00

Consolidate

Negotiate lower interest with credit card companies - call them

Look for 0% opportunities - get this interest down

Snowball the payments / all accounts

AUTO LOANS

Loan Company	Year, Make, Model	Minimum Monthly Payment	Interest Rate	Months Past Due	Balance Due
Ford Financing Company	Ford F-150	600.00	5.0%		20,000.00
Total Auto Loans		600.00			20,000.00

Consider downsizing here. An older vehicle for less. Can we carpool or use one vehicle for a time? Pay cash for something slightly older after saving?
 Can Jerry drive a patrol car home at night?

HOME MORTGAGES (includes home equity loans or lines of credit)

Mortgage Service Company	Property Address	Minimum Monthly Payment	Interest Rate	Months Past Due	Balance Due
Home Mortgage #1 (Primary Home)		4,800.00	4.5%		725,000.00
Home Mortgage #2 (Rental Property)		3,600.00	4.0%		550,000.00
Total Home Mortgages		8,400.00			1,275,000.00

Does this include an escrow for insurance & taxes?

Does this include renters insurance or an escrow for insurance & taxes?

**There is approx \$100,000 in equity here. Based on what you paid and what you owe.

OTHER DEBT (education, medical, personal, business, legal, IRS, etc.)

Who	Type of Debt (medical, education, etc.)	Minimum Monthly Payment	Interest Rate	Months Past Due	Balance Due
Personal Debt To Relatives		50.00	0.0%		3,500.00
Educational Loans		220.00	4.5%		24,000.00
Medical Bill		25.00	0.0%		400.00
Total Other Debt		295.00			27,900.00

Is this interest rate subject to increase going forward?

Pay this off immediately with the cash you are you are paying yourselves.

Total Liabilities/Debts	1,391,900.00
NET WORTH (Total Assets minus Total Liabilities/Debts)	334,250.00

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 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					

Revised Oct 29, 2022

Spending Plan	Current	Guideline	New Budget	Comments
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INCOME vs. EXPENSE SUMMARY (calculated)			
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Net Spendable Income	16,026		13,852	
Less Total Expenses	18,260		13,852	
Surplus or Deficit	(2,234)		0	

Monthly Income			
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Gross Monthly Income	16,066		17,066	
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Jerry's NET Income	7,000		7,000	
Janice's NET Income	4,000		4,000	
Jerry's part-time income (NET)	1,000		2,000	
Commissions				
Bonuses/Tips				
Retirement Income				
Rental Income	3,900		3,900	
Other Income	166		166	

All nice round numbers, are these all salary jobs? Any chance in OT? (avg salary for a police officer in south Cali is \$94,800 / annum (indeed))

Can this increase for a short time? Is there further opportunity to develop this into a small business?

We need to look at this from an overall business prospective and your long term goal for this. There may be better and more affordable opportunities for this kind of in-out cost.

Where does this "other" income originate from? Can it be increased?

LESS				
Category 1 - Tithe/Giving (monthly)	40	1,607	1,607	

The Local Church			1,567	
The Poor				
Other Ministries				
Other Giving	40		40	

A shift of focus. We should give locally when possible but we can give to another cause / charity

Great! Where is this \$40 going?

Category 2 - Taxes (monthly)	0	0	1,607	
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Taxes (Fed, State, Medicare, Social Security)			1,607	
Other				

2024 tax bracket, married filing jointly is 22%

NET SPENDABLE INCOME (monthly)	16,026	14,459	13,852	
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Monthly Expenses			
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Category 3 - Housing (monthly)	9,970	4,193	9,445	
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Mortgage(s) (from Debt List)	8,400		8,400	
Extra Mortgage Payment				
Rent				
Insurance			0	
Home Warranty	30		30	
Electricity	300		275	
Home Owners Association	400		400	
Water and Garbage Pickup	100		50	
Yard Service	250		0	
Telephone / Cell phone	300		115	
Maintenance			0	
Cable TV	115		115	
Internet	75		60	

Does this include an escrow? This will always be a stretch with the current budget and both mortgages.

We need to budget for this in case of emergencies or things that the insurance may not cover. Long term.

Does this cover both properties? Do you have renters insurance?

Can we reduce this by keeping our thermostats at a lower setting in winter and higher setting in summer?

Turn lights off when not in use, train the children to turn off lights when leaving the room. Lower the hot water thermostat. Keep the refrigerator closed.

The national average per month is ~\$390.00 for mid size homes. Is this for both properties? Is so, is this cost also captured in the total monthly operational cost of the rental?

Can this be reduced / split if we carry our own garbage to a collection center?

Is this for the rental property? Is this something we can do ourselves?

This seems high, the average across the nation is only ~\$114 / month

We need to budget for this in case of emergencies or things that the insurance may not cover. Long term.

Can we reduce the service pack?

Is this used for entertainment or work / business. Look for bundle opportunities. Can we reduce the speed for some savings?

Spending Plan	Current	Guideline	New Budget	Comments
Category 4 - Food (monthly)	1,450	1,591	600	
Grocery	1,450		600	WOW! I do not understand this guideline amount here? The national average for a family of four is ~\$475.00/month. (USDA ~\$967) Is there some underlying dietary need that is driving this?
Other				Plan Plan Plan - Meal planning and lunches. Buy with a purpose in mind.
Category 5 - Transportation (monthly)	1,525	1,880	1,145	
Auto Payment(s) (from Debt List)	600		600	
Extra Auto Payment				Can we reduce our spend if we sacrificed here a little and got an older vehicle for Jerry? You need at least one very reliable vehicle for emergencies, etc... with young children but there may be an opportunity here to create some savings and pay off other debt earlier.
Gas & Oil	400		300	Any carpooling opportunities? Can Jerry drive his work vehicle home assuming he has a patrol?
Auto Insurance	290		210	Shopping around I found a policy with some savings
Licenses & Taxes	35		35	This seems in line
Maintenance	100		0	Is this going into a fund, paying for a plan, or are you actually spending this on two realitively new vehicles?
Replacement			0	Can we add this to our emergency fund instead?
Other - Tolls/Parking/Transit Fares	100		0	We need to fund this in the future. Are these from convenience, location / time, or a have to?
Category 6 - Insurance (monthly)	67	723	167	
Life - 750,000 20 year term on Jerry	67		67	This seems to be in line considering the face value, but may be a redundancy since his employer is covering.
Health/Dental				
Disability				
Other			100	Let's put some away to cover the deductible in case of an emergency
Category 7 - Debts (monthly)	1,775	723	1,925	
Total Credit Cards (from Debt List)	1,480		1,480	
Total Other Debt (from Debt List)	295		295	
Extra Debt Payments			150	We need to look for opportunities to consolidate these, seek a lower rate. Snowball the payments / balance. Maybe a home equity loan is lower % rate overall? Or a 401k loan, pay yourself back.
Category 8 - Entertainment & Recreation (monthly)	1,498	1,157	295	
Eating Out	400		75	Limit this to once per month as a budget celebration. This is in addition to a large grocery allotment.
Lunches	200		20	This is in addition to an incredible grocery allotment. Pack some lunches to reduce this.
Movies/Events	200		0	May need to sacrifice this for a few months. Use a family savings jar on the kitchen counter to give everyone a visual of when we can go out for a family event or night of fun. Get the children engaged.
Activities (Kids)	300		150	
Baby Sitters	100		0	Can we barter this out with others in the neighborhood or family member for a time? After school program, combining the kids "activities" line with childcare?
Health Club	50		0	Can we compromise here,? Does either of the places of employment have gyms?
Vacation	100		0	This is Great! Is this going into a fund that we cannot see? Let's use this to fund our emergency fund first or extra credit card payment.
Amazon Prime	15		0	Can we trim this oput for the interim?
Audible	15		0	Can we trim this oput for the interim?
Sirius	27		0	Can we trim this oput for the interim?
Netflix	16		0	Can we trim this oput for the interim?
Apple	25		0	Can we trim this oput for the interim?
Pets	50		50	Gotta have them, especially with young children.
Category 9 - Clothing (monthly)	50	1,012	25	
Children's Clothing Needs	50		25	This will need to increase as children get older. Shop at thrift stores, look for bargins and sales.
Husband/Wife Clothing Needs			0	Are uniforms provided for by the employers?
Other				

Spending Plan	Current	Guideline	New Budget	Comments
Category 10 - Savings (monthly)	200	723	125	
Savings Account	200		125	Increase this as funds become available from other debt payoff and budget balancing activities.
Credit Union				
Other				
Category 11 - Health & Wellness (monthly)	450	723	25	
Medical/Dental/Vision	100		25	I understood this to be paid by the employer? Is this dueto some accumulated medical bill / deductible? You are only showing \$25.00 monthly on your Assets & Liabilities tab
Dentist				
Prescriptions				
Eye Glasses / Contacts	50		0	I understood this to be paid by the employer? Is this dueto some accumulated medical bill / deductible?
Marriage Counseling	300		0	Don't stop! Can we get something equivelent at our local Church?
Category 12 - Miscellaneous (monthly)	875	1,012	0	
Toiletries / Cosmetics				
Beauty / Barber				
Laundry / Cleaning				
Allowances				
Gifts (including Christmas)	75		0	Do we have a separate fund where this is going to accumulate? Good plan, but need to show it.
Cash (Jerry)	400		0	Where is this going? Can we use this instead to pay off our debt with the family members?
Cash (Janice)	400		0	Combine these two for a period of time... \$800.00 we can get some things cleared up, maybe the medical.
Other				
Category 13 - Investments (monthly)	400	723	100	
Employer 401k/403b plans	200		0	Investigate: This should shift to a pretax deduction
Retirement IRAs				
College Fund - 529 plan	200		100	We need to increase this to meet your long term goal
Non-Retirement Stocks, Bonds, Mutual Funds				Since the children are younger, there is time to value up for meeting long term goal - dicsipline
Other				
Category 14 - School/Child Care (monthly) (1)	0		0	
School Tuition				Need to start thinking about budgeting some of these as the children start to get older
School Books, Supplies, Materials, etc				
Transportation				
Day Care				
Tutoring, Lessons for Music, Dance, etc				
Other				
Total Expenses	18,260	14,459	13,852	

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