Have you ever considered what it will be like when you are an adult? What are some ways that it will be different than high school? Today we are starting a unit on personal finance. Hopefully it will give you insight into the financial decisions that you will face when you are financially independent.

1. We will start by examining the finances of some actual people. I have a friend who owns a low income apartment house in an upper Mid-west town of 10,000 people. The median income for a single household in this town is $29,899 as gathered from 2000 census data. For comparison, the national median household income is approximately $42,000 per year.

   a. How much less per month is the median income for our town than the national median income? (Hint: Find the difference and divide by the number of months per year).

   b. The 2008 poverty level for a family of four is incomes at or below $22,200 per year. How much more per month is this town’s median income than the top of the poverty level of $22,200?

My friends shared with me applications that they received for a one bedroom one bath apartment in the summer of 2008. A copy of the application form can be found at: http://www.w-christian.pvt.k12.ia.us/Assignments/ZONNEFELD/rental_application.htm.

   c. What surprises you about the application?

View a PowerPoint of the apartment at http://homepages.dordt.edu/valoriez/Apartment.ppt.

There is no garage, but it is a main floor apartment with a private entryway. Since it is a low income apartment, applicants need to earn less than $28,000 per year to be qualified to live in the apartment.

   d. Write an inequality to describe acceptable monthly incomes in dollars per month.
Below are three applications that my friends received during a one week time period.

Application 1: The first application is a husband and wife, Rosemary and Juan. Juan is 29 years old and Rosemary is 52 years old. Their gross income is $1200 per month. They have no savings account, no checking account, and no credit cards. Juan is on SSI, a government disability program. This is where they receive their income since Juan is unable to work. Rosemary has arthritis and is also unable to work. Rosemary cannot walk steps well as a result of her arthritis and needs a main floor apartment. Their current rent is $500 per month.

Application 2: The second application is a newly married couple, Rick and Nicole. Rick is 22 years old and Nicole is 18 years old. They have a three-and-a-half month old child and monthly gross income of $1400. They have a checking account, savings account, and no credit cards. Rick and Nicole drive a 1998 Chevy Lumina. Rick has worked at his current job for four months and his reference is a Department of Human Services worker. Nicole does not work.

Application 3: The third application is Robert and Amanda. They are married and have a four month old son. They are both 20 years old and currently live with Robert’s parents. Robert has been at his job for 3-4 months and his gross income is $1300 per month which, after taxes, results in a net income of $1170 per month. Amanda does not work. They have a “Yamaha” credit card carrying a balance of $6180 on it. Their monthly payment is $69 for the first two years.

e. If you were the landlord, whom would you choose as renters and why?

f. My friends rejected all three applicants because they feared that they would be unable to pay their rent on time. When my friends are choosing tenants, they look for the following traits:
   ● Good references
   ● A college degree or trade
   ● A job that they have been at for at least a couple of years
   ● An ability to pay:
     ○ A checking account
     ○ Adequate income
     ○ Low debt

Were they right in choosing someone else?
2. **Tithing:** Read the following passage and explain what tithing is. “The entire tithe of the herd and flock – every tenth animal that passes under the shepherd’s rod – will be holy to the Lord.” Leviticus 27:32. Our tithes are to be our firstfruits; the first check that we write each month. God’s plan is that if we are faithful in giving to him first, he will be faithful in providing for our needs.
   a. Robert and Amanda do not have flocks as in Leviticus. What percent of their income would be similar to the example of the herd?

   b. Calculate Robert and Amanda’s monthly tithe using their net income.

   c. We calculated the tithe based on the Robert and Amanda’s “net income” or “take home pay”. When you work, net income is the amount that your check is after taxes are taken out. Is there another way to calculate the tithe which would be more faithful to the concept of the firstfruits?

   d. Read Exodus 23:19a “Bring the best of the firstfruits of your soil to the house of the Lord your God.” Gross income is the amount that you get paid before taxes are taken out. As Christians, should we tithe from our net or gross income? Why?

   e. Calculate Robert and Amanda’s tithe using their gross income.

   f. Would there ever be a time when money is so tight that God would not want you to tithe?

Read Luke 21:1-4: “As he looked up, Jesus saw the rich putting their gifts into the temple treasury. He also saw a poor widow put in two very small copper coins. “I tell you the truth,” he said, “this poor widow has put in more than all the others. All these people gave their gifts out of their wealth; but she out of her poverty put all she had to live on.”

   g. Should you ever give more than 10%?
Notice the instructions given to the Israelites in Deuteronomy 12:6-7 regarding where they were to worship. “There bring your burnt offerings and sacrifices, your tithes and special gifts, what you have vowed to give and your freewill offerings, and the firstborn of your herds and flocks. There in the presence of the Lord your God, you and your families shall eat and shall rejoice in everything you have put your hand to, because the Lord your God has blessed you.” Did you notice that it says “tithes and special gifts”?


<table>
<thead>
<tr>
<th>Form W-2 Wages and Tax Statement 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Control Number Dept. 0000000 00000</td>
</tr>
<tr>
<td>b. Employer's Identification Number 00000</td>
</tr>
<tr>
<td>c. Employer's name, address, and Zip code Frisk 1st St. Town, State, Zip</td>
</tr>
<tr>
<td>d. Employer's Identification Number</td>
</tr>
<tr>
<td>e. Employee's name, address, and ZIP code</td>
</tr>
<tr>
<td>16. State wages, tips, etc. $17,600.00</td>
</tr>
<tr>
<td>17. State income tax $421.07</td>
</tr>
<tr>
<td>18. Local income tax</td>
</tr>
<tr>
<td>19. See Instrs. For Box 12</td>
</tr>
<tr>
<td>20. Locality name</td>
</tr>
</tbody>
</table>

You do not need to fill out the personal information on top of the 1040EZ form. Start with line 1. Notice that instructions are given on each line of the form to help you. There are also more detailed instructions in the booklet.
Question #1: This information is in box 1 of Robert’s W-2. This is Robert’s gross income.

Question #2: Amanda had a $500 CD all year that earned 3.5% interest. The formula for one year’s interest is the amount invested times the interest rate. Enter this number in line 2.

Question #3: This question, along with other questions later, does not apply to Robert and Amanda. You may enter a 0.

Question #5: No one else can claim Robert, Amanda, or their child.

Question #10: Use the Instruction booklet to help find this.

a. Do Robert and Amanda owe additional taxes or are they entitled to a refund?

b. How much do they owe or how much is their refund?

c. Our taxes help pay for things that we may not agree with. Examples might include an unjust war, Planned Parenthood, obscene art, etc. Would it be right to cheat on your taxes so that you do not have to pay as much to programs that you do not agree with?

Matthew 22:17-21 “Is it right to pay taxes to Caesar or not?”
But Jesus knowing their evil intent, said, “You hypocrites, why are you trying to trap me? Show me the coin used for paying the tax.” They brought him a denarius, and he asked them, “Whose portrait is this? And whose inscription?”
“Caesar’s,” they replied.
Then he said to them, “Give to Caesar what is Caesar’s, and to God what is God’s”.

4. Transportation: Robert needs a vehicle to get to work. Help Robert and Amanda choose a vehicle that will adequately meet their needs. You may use the internet or a newspaper. Make sure that the ad includes the price.

a. What are the price, year and model of the car that you recommend for Robert and Amanda? (You may include a printed picture if you would like.)

Now that you have purchased a vehicle, you need to calculate Robert and Amanda’s monthly payment. Go to http://auto-loan.interest.com/content/calculators/new/autoloan.asp.
Make sure the “Monthly Payment” button is clicked.

The term of your loan is 5 years. Remember to convert it to months.

Cash down, trade allowance, amount owed on trade and all fees are $0.

Enter the price of your car where it says “Total Purchase Price”.

Use an interest rate of 9%.

Enter the sales tax as 7%.

Click on “View Report” to help answer the following questions.

b. What is the monthly payment?

c. What is the total for all payments?

d. What is the outstanding balance after 1 year? (Hint: What is the balance after 12 months?)

e. How much will Robert and Amanda pay for their car during the first year? Multiply their monthly payment by 12.

f. What is the remaining amount of the loan if you subtract the amount Robert and Amanda will pay in the first year from the original loan amount?

g. Why did your answer to part “d” have a different answer compared to part “f”?

h. If Robert and Amanda successfully complete the car loan, how much will they have paid for the car at the end of 5 years including interest?
5. Monthly budget: A monthly budget shows what payments need to be made each month. Help Robert and Amanda make a monthly budget considering the following expenses. Complete the chart as follows with the amounts that you estimate.

a. Fill in the amount you suggest Robert and Amanda tithe each month.

b. Apartment rent is $465 per month. Included in the rent payment are gas, water, sewer and garbage collection. Electricity and phone fees are not included.

c. The monthly electric bill is estimated at $50 per month.

d. The phone bill is at least $45 per month for a land line. This is without any long distance calls. You may increase this amount if you want to call their family who live out of town. You may also choose to go without a phone or to estimate the monthly cost of a cell phone in its place.

e. Remember the Yamaha credit card payment of $69 per month for the first two years.

f. Fill in the monthly payment for the vehicle that you purchased for the car loan.

g. Vehicle expense for Robert to get to work and other outings also needs to be calculated. Robert lives 10 miles from work and works 5 days a week. How many miles will Robert drive each month to get to and from work? How many additional miles do you estimate Robert and Amanda will drive for other outings?

Add work miles and additional miles to find the total miles that you predict Robert and Amanda will drive each month.

Use the government’s website, [http://www.fueleconomy.gov/feg/findacar.htm](http://www.fueleconomy.gov/feg/findacar.htm), to calculate the average miles per gallon for the car that you purchased for Robert and Amanda. Take the average cost of gas, we will use $4, divided by Robert and Amanda’s average miles per gallon. This is the cost for each mile.

Add $0.15 per mile to this amount to allow for regular vehicle maintenance like oil changes, tires, etc.

Calculate their vehicle expense by taking the above number times total miles.
You should also add to your monthly vehicle expense number to allow for repairs. The average vehicle requires $66.66 of repairs per month. You may want to add more per month if your vehicle is not reliable. You may research vehicle reliability on the internet.

h. Food. How much will it cost to feed three people for a month? A low estimate is $60 per person per month.

i. How much do you want to allow for home furnishings and clothing on a monthly basis? Remember, you have a growing baby and an empty apartment.

j. Health Insurance. Robert’s job does not include health insurance. Will you purchase it on your own? Use the internet to estimate the cost of an acceptable insurance plan.

k. Entertainment. How much do you want to spend on entertainment in the average month?

l. Cable or Dish: For a basic package, Cable TV is $50 per month and a dish is $35 per month. Remember that Robert and Amanda are living with his parents. They do not own a TV unless you included it in the home furnishings section of your budget.

m. Savings: Would you like Robert and Amanda to have money saved for an emergency?

<table>
<thead>
<tr>
<th>Monthly Expenses</th>
<th>Budget #1</th>
<th>Budget #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Tithe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Rent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Electric</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Phone/Cell Phone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Credit Card</td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Car Loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Vehicle Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>h. Food</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Clothing/Furnishings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>j. Health Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>k. Entertainment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>l. Cable or Dish</td>
<td></td>
<td></td>
</tr>
<tr>
<td>m. Savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

n. Does your budget balance? In other words, are Robert and Amanda’s expenses less than their net income? If it came out negative rethink some of your choices. Keep in mind Isaiah 55:2 “Why spend money on what is not bread, and your labor on what does not satisfy? Listen, listen to me, and eat what is good, and your soul will delight in the richest of fare.”
Did you have to make some tough choices given the income amount? Robert and Amanda would be considered to be “working poor”. About ten years ago in a town nearby, a man faced similar difficult decisions. Money was tight and he had a new baby that was fussy. He was faced with the decision to buy his baby formula or refill his own doctor’s prescription. Which would you choose and why?

The man chose to buy baby formula. In return, he couldn’t fill his own prescription anti-depressant. The anti-depressant helped with his nerves and calmed him. Remember, his baby was fussy. One night, when the man was home alone with the baby and could not calm it, he also struggled to calm himself with out the anti-depressant. The evening became very tense for him and he lost control and shook the baby. The baby suffered from shaken baby syndrome and died. The man was put in jail as a result of his actions. I lived in the same town as this man and could have easily paid for both the prescription and the formula had I known him or his situation. Who has God placed on your “front steps” to care for?

Ephesians 2:10 “For we are God’s workmanship, created in Christ Jesus to do good works, which God prepared in advance for us to do.”

Congratulations! You have successfully planned financial stability for Robert and Amanda!

Can a person ensure through wise choices that they will never be in need?

James 1:17 “Every good and perfect gift is from above, coming down from the Father of the heavenly lights who does not change like shifting shadows.” What would James say about our material possessions? Do we earn them, or does God bless us with them?

Luke 16:10-11 “Whoever can be trusted with very little can also be trusted with much and whoever is dishonest with very little will also be dishonest with much. So if you have not been trustworthy in handling worldly wealth, who will trust you with true riches?”
Projects

- Track your personal spending for a week. What does your spending say about your priorities? Are there any adjustments that you need to make? After the week is over, make a monthly budget for yourself. First predict your income for the coming month. Then allocate your funds where you see fit. Turn in your week’s expenses and proposed monthly budget.

- Volunteer three hours at a homeless shelter or food pantry and write a one page paper reflecting on your time.

- What if Amanda got a job? Since she is 20, we can assume that she does not have a college degree and will most likely start at minimum wage. What is minimum wage in your state? How many hours a week should she work to help with the budget? Remember that you need to subtract three dollars per hour from Amanda’s wage for daycare. What are some of the hidden expenses if Amanda were to get a job? For example, will she need transportation to and from work? Write a one page paper sharing your findings.

- Research the Yamaha credit card at [http://www.w-christian.pvt.k12.ia.us/Assignments/ZONNEFELD/credit%20card.htm](http://www.w-christian.pvt.k12.ia.us/Assignments/ZONNEFELD/credit%20card.htm) and answer the following questions. Read the small print under the advertisement. What is the original interest rate? We know from Robert and Amanda’s application that they have $6180 on this card and their minimum payment is $69 per month. Are they making any progress on their debt? How much of their $69 payment is going to pay the month’s interest? How much is going toward reducing their debt of $6180? What if Amanda chose to buy a pair of $60 jeans instead of paying the credit card bill? What would the new interest rate be? How much of their payment would then be going towards interest? How much of their payment would be going towards paying down their debt? Robert and Amanda have a $69 payment for the first two years. If they continue to charge items to this account and pay only the $69, what will the balance look like at the end of two years? What would you do if you were Robert and Amanda?

- What if Robert and Amanda were given $2,000 dollars? Write a one page paper telling how you would use the money and why.

- Look at the PowerPoint of the apartment again. Make a list of the furniture necessary to furnish the apartment. Research what it would cost to buy new furniture; you may visit a store or use the internet to help make an estimate. Then visit a second hand store or visit a used furniture website and calculate what it would cost to furnish the apartment with used furniture. Write a one page paper or present your findings to the class.