

MARYLAND  
**PERSONAL FINANCE**  
CHALLENGE

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## 2021 Teacher/Advisor Manual Virtual Format

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# High School Personal Finance Challenge

## Competition Overview

The Personal Finance Challenge is an opportunity for high school students to demonstrate their knowledge of personal finance. Students participate in teams of four students. For the 2021 competition year, each school may register an unlimited number of teams. Maryland holds its state competition in April each year. The state winner then goes on to the national competition in May.

<p style="text-align: center;"><b>2021 Competition Dates</b></p> <p><i>Maryland Personal Finance Challenge</i></p> <p><i>Semifinals: April 19 – April 22 at noon – online test questions</i></p> <p><i>Finals: Saturday, April 24<sup>th</sup> – top six teams compete – virtual case study analysis</i></p> <p><i>National Personal Finance Challenge (MD state winner will advance to compete)</i></p> <p><i>Semifinals: May 6 – May 26</i></p> <p><i>Finals: June 3</i></p>
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The Maryland Council on Economic Education is the sponsor and coordinator of the Maryland Personal Finance Challenge. We take great pride in offering this fantastic learning opportunity for students from across Maryland. With generous support from M & T Bank, Towson University, and others, we are able to offer this opportunity to students and teachers without cost.

## Competition Details

For 2021, the Maryland Personal Finance Challenge will consist of two rounds. All registered students will participate in round one. The top six performing teams in round one will move on to the second and final round. Only two teams from an individual school may advance to the second round.

### Round One

Once the first round of the competition begins, students can enter the Finance Challenge website to complete a 40-question, rapid-fire exam consisting of categories on Income and Money Management, Spending and Credit, and Saving and Investing. **Students have 45 minutes to complete their individual test.** While students do not have to physically take the examination in the same location, **all students from the same school must take the test at the same time.**

### Please note the following:

- Each student is to complete the challenge as an individual; students do not work as a group.
- A teacher or certified staff member must be in attendance during the entire testing period to ensure that the rules are followed.
- The teacher/certified staff member may not help the student by guiding them or re-phrasing a question. Once the test begins there should be no assistance given to the student.

- Students are only allowed a pencil and scratch paper.
- This is an On-Line competition. It is the student's responsibility to secure a computer that can provide an uninterrupted signal to the testing site. The Maryland Council on Economic Education cannot be held responsible for students or teams that cannot complete the test due to computer problems. **The test cannot be reset due to computer errors at the school or home.**
- If testing is held at school, it is the school's responsible for maintaining an uninterrupted environment for students to test. **The test cannot be reset due to circumstances such as bells ringing, fire alarms, students called out of the classroom or any such event.** The school is responsible for providing a proctored testing area. Students must be supervised by a school staff member at all times.

### Round One Scoring

The sum of the top three individual scores on each team make up the team score. Students are awarded 10 points for every correct answer - with a maximum individual score of 400 and a maximum team score of 1200. Teachers will have access to both individual and team scores once the Challenge has been completed.

### Round Two (Finals Round)

The second (and final) round of the competition will consist of a case study analysis and presentation that will take place on Saturday, April 24, 2021. Shortly after the examination window closes for Round One on April 22, 2021, the Maryland Council on Economic Education will notify each teacher of an advancing team via email.

The final round of the competition requires students to demonstrate their knowledge of personal finance topics through analyzing a case study and presenting the results in a formal presentation. Team members are given two hours to create a PowerPoint presentation and are asked to present to a panel of expert judges. Students will be evaluated on the content of the presentation, their presentation skills, and teamwork. The top performing team in this round is declared the Maryland State Champion and will advance to the National Competition (also to be held virtually for 2021).

Teams will be scheduled throughout the day on April 24, 2021 between 9am and 4pm. Please make sure that your team members do not make plans on this day as we will not know the presentation schedule until the day prior. Student teams competing in this round will have 15 minutes to deliver their presentation followed by 5 minutes of questions from the judges. Following the conclusion of the last presentation, judges will have 30 minutes to confer and determine the winners. Announcement of the Maryland State Champion and the 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> place winners will be made at the conclusion of the event.

### Round Two Scoring

A panel of judges will be selected to score each team's performance in this round. Judges may include economists and professionals with experience in financial planning and financial management.

Judges will use a rubric to score all aspects of each student team’s performance fairly and equally. A copy of the rubric used for judging will be released to registered teams in the spring. However, judges will generally score the following aspects of the case study analysis:

- Analysis of the case study and response to specific prompts
- Presentation Quality and Professionalism
- Response to Judge’s Questions

## Timeline



## Prizes

Generous prizes are awarded for top performing teams in the competition. Prizes are in the form of a check payment and are mailed to the recipient’s home address shortly after the competition. State and national winners are invited to be recognized at the Maryland Council on Economic Education’s annual Student Achievement Awards Program.

### Maryland Personal Finance Challenge Prizes

1 <sup>st</sup> place	\$250/team member & teacher
2 <sup>nd</sup> place	\$125/team member & teacher
3 <sup>rd</sup> place	\$100/team member & teacher
4 <sup>th</sup> place	\$50/team member & teacher

*\*only one teacher and the four participating students per team are eligible for prizes. Alternates are not eligible if they did not compete directly on the winning team.*

## National Personal Finance Challenge Prizes

1 <sup>st</sup> place	\$2000/team member
2 <sup>nd</sup> place	\$1000/team member
3 <sup>rd</sup> place	\$500/team member

## Preparing for the Competition

As much as you would like to allow students to choose their own teams we recommend that you strive to field the strongest team or teams you can. You might have some students who have expressed an interest to you, you may advertise within your school to generate interest, or you may hand pick students that you believe would be strong competitors. Actual completion preparation may be done as a class or by working with interested students in a club setting after school. However you decide to work with your students, we recommend that the first thing you want to do is to conduct a pretest. During the time you spend teaching the personal finance information you should continue to test and rank your students. When you finally decide to choose the team or teams to represent your school, you can give a post test and choose the four or eight strongest students. At this time you might want to spend some time working more intensively with these students. So, in some instances student enthusiasm and willingness to work may trump test performance.

## Pre-Test

There are several possible sources for pre and post test questions:

- The Council on Economic Education has online assessments on their website <https://cee.linkit.com/registration>. The **Online Assessment Center** is a free service where teachers can administer assessments, gain real-time data, and measure student knowledge and understanding of economic and personal finance concepts. In four easy steps teachers can use this service to analyze the efficacy of their instruction and modify their approach.
- The Federal Reserve Bank of St. Louis has sample questions from which you can choose. A PDF version of a set of flashcards containing personal finance questions is available at: <https://www.stlouisfed.org/~media/Education/Lessons/pdf/printable-personal-finance-flashcards.pdf?la=en>
- If your students participate in the *Stock Market Game*™ there are pre- and post-tests available at <https://www.stockmarketgame.org>

## How to Prepare Teams

It is important to give your potential teams as much practice as possible for both the examination and the case study analysis. Sample questions will be included in this manual. It's a good idea to pattern your practice tests after those they will be encountering in the competition.

Remember your goal is to have your students **know** the material and be able to apply knowledge in a situational analysis. If possible, construct questions that ask for the same information in several ways.

## Lessons to Prepare

### General

- “Like” us on Facebook. Articles, lesson plans and information are posted. Questions can come from articles posted on Facebook.
- [www.Nextgenpersonalfinance.org](http://www.Nextgenpersonalfinance.org) – This website has lots of good lessons, videos, blog, interactives, complete courses, and facebook group.
- [www.Econedlink.org](http://www.Econedlink.org) – this is from the Council on Economic Education in New York. It also has the MYeconedlink.org space for your choices on the site. Lots of lessons in personal finance by grade level.
- [www.bettermoneyhabits.com](http://www.bettermoneyhabits.com) – This is the Bank of America sponsored site that has short videos on Personal Finance topics. Some of the econedlink lessons use this site also.
- Econlowdown at the St. Louis Federal Reserve Bank <https://www.econlowdown.org/> – good lessons in both personal finance and economics. You can also personalize this one with lessons and quizzes you choose from the site.
- Two Cents ([www.PBS.org/show/two-cents](http://www.PBS.org/show/two-cents)) – This one has short videos also about personal finance topics. They add videos regularly.
- [www.BLS.gov](http://www.BLS.gov) – Bureau of Labor Statistics, great for student research on careers.
- [www.FTC.gov](http://www.FTC.gov) – Federal Trade Commission will send you alerts about frauds and ID theft scams.
- [www.Virtualcapitalist.com](http://www.Virtualcapitalist.com) – Terrific visual graphs and charts. Summary of each week sent to you on Sunday.
- [www.AppliedDigitalSkills.com](http://www.AppliedDigitalSkills.com) – Has good graphic presentations by topic – some of which are personal finance.

The above represent a small portion of the many resources available for teachers to use. If you need suggestions for additional resources, please contact the Maryland Council on Economic Education at [mcee@towson.edu](mailto:mcee@towson.edu) or [www.econed.org](http://www.econed.org).

## Specific Resources

This section is divided according to the three test topics: *Spending and Credit*, *Saving and Investing*, and *Income and Money Management*. Each section will contain: descriptive words from the Maryland State Curriculum for Personal Financial Literacy Education, ([http://www.marylandpublicschools.org/file/docs/Maryland\\_Financial\\_Literacy\\_Standards.pdf](http://www.marylandpublicschools.org/file/docs/Maryland_Financial_Literacy_Standards.pdf)), vocabulary terms, and resources for teaching the information.

**Please Note:** The information given below is in no way intended to be a comprehensive list of the content, vocabulary or resources for the Personal Finance Challenge.

### Spending and Credit: Content

Effect of scarcity and opportunity cost on decision-making; costs, benefits, and opportunity cost; applying the decision-making process; financial obligations such as a promissory note, cell phone contract, or college loan; factors that affect personal financial decisions and actions; individual differences and influences on money-related consumer decisions; apply decision-making process to a financial goal; outcomes of financially responsible and irresponsible decisions; types of retail markets and the products they offer; external factors such as inflation and determine the most appropriate time to purchase.

Impact of consumer financial decisions on individual and family; how education affects income, purchasing and spending decisions; how spending decisions impact career opportunities; strategies for securing funding for a future event; need for written contracts; components and meaning of contracts.

Rights and responsibilities for contacts such as college loans, car loans, collateral loans, passbook loans and mortgages; advantages and disadvantages of debt; situations where debt is beneficial; evaluate information about products and services; differentiate between short- and long- term loans; predatory lending practices; online tools to compare simple interest and compound interest; assess accumulating effect of interest paid over time using variety of sources of credit; calculate and compare total cost of borrowing; debit vs credit card; advantages and disadvantages of different payment methods; different types of mortgage loans; factors affecting credit worthiness; credit report; how to leverage credit scores; managing credit problems; sources of credit reporting; problems of not meeting credit obligations; need for credit counseling; credit counseling services; buying power, interest rates and inflation; advertising and media on decision making and spending; characteristics of an informed consumer; consumer protection laws; disputing a claim.

### Spending and Credit: Vocabulary

amortization	creditor	loan
annual fee	debit card	mortgage debt
annual percentage rate	debt	opportunity cost
balloon loan payment	decision-making	overdraft
bankruptcy	default	overdraft fee
borrowing	deferral	penalties
capacity	delinquency rate	principal
capital	delinquent	purchasing power
character	down payment	real interest rate
collateral	FAFSA	scarcity
contract	federal student loan	secured loan
credit	finance charge	spending
credit bureau	fixed rate loan	student loan default
credit card	forbearance	subsidized loan
credit history	foreclosure	Truth in Lending Act
credit limit	grace period	unsecured loan
credit report	interest	variable rate loan
credit responsibilities	interest rate	wants
credit rights	lien	credit score

### Resources

- *Financial Fitness for Life*® 9-12 Lessons 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, and 19
- *Hands on Banking*® [www.handsonbanking.org](http://www.handsonbanking.org) Young Adult: Schools and \$ - The Money You'll Need; Spending Smart – Be a Savvy Shopper
- *Practical Money Skills*™ – Lessons 3, 4, 6, 14, 15, 16, 19  
[www.practicalmoneyskills.com/foreducators/lesson\\_plans/highschool.php](http://www.practicalmoneyskills.com/foreducators/lesson_plans/highschool.php)
- *It's Your Paycheck* - [http://www.stlouisfed.org/education\\_resources](http://www.stlouisfed.org/education_resources) Lessons 6, 7, 8  
*Cards, Cars, and Currency* <https://www.stlouisfed.org/education/cards-cars-and-currency-curriculum-unit> Lessons 2 & 3
- *Financing Your Future* – Lessons 3.3, 4.2, 4.3
- Federal Trade Commission – <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre26.pdf> Fiscal Fitness: Choosing a Credit Counselor
- Case Studies – [https://financechallenge.unl.edu/images/custom/sample\\_case\\_study\\_rubric-2019.pdf](https://financechallenge.unl.edu/images/custom/sample_case_study_rubric-2019.pdf)
- Quizlet Flashcards – <https://quizlet.com/40456578/personal-finance-challenge-flash-cards/>

## Saving and Investing: Content

Scarcity and opportunity cost; costs, benefits and opportunity costs; factors affecting financial decisions and actions; apply decision-making process to financial goals; outcomes of financially responsible and irresponsible decisions; external factors that affect saving and investing; impact of global economic events; various financial institutions; calculate interest and fees applied to various forms of saving; long-range personal goals and financial needs and resources; compare investment results; match financial services and products to achieve goals; investment products; ETFs; banked vs unbanked; FDIC; compounding; asset allocation for long- and short- term goals; factors affecting financial planning; revenue-generating assets to build wealth; buying and selling investments; sources of investment products; risk, return and liquidity of different investment alternatives; supply and demand in stock purchases; impact of events on stock market prices; savings and investment strategies to achieve specified goals; strategies using tax deductions; impacts on income and wealth; types of financial risk and degrees of risk tolerance.

## Saving and Investing: Vocabulary

Arbitrage	Interest rate effect	Risk
Automatic transfer	Investment	Risk-reward relationship
Banks	Liquid asset	Rule of 72
Bond	Liquidity	Save
Brokerage	Long-term investing	Savings
Capital gains	Money market account	Savings account
Certificate of Deposit (CD)	Money market fund	Savings plan
Compound interest	Non-interest bearing account	Short-term savings goal
Decision-making	Non-liquid asset	Stock
Dissaving	Passbook saving	Stock index fund
Diversification	Personal saving rate	Exchange traded fund
Financial Investment	Portfolio	Stock market funds
Future value	Present value equation	US treasury securities
Future value equation	Quantitative easing	
Government securities auction	Real rate of return	
Inflation	Return on investment	
Interest rate	Rewards	

## Resources

- *Financial Fitness for Life*® Grades 9 – 12 Lessons 9, 20, 21, and 22
- *Stock Market Game*™ [www.stockmarketgame.org](http://www.stockmarketgame.org) What is a Stock?; What is a Bond?; What is a Mutual Fund?; Dividends and Earnings;
- *Financing Your Future* Lessons 5.1 and 5.3
- *Practical Money Skills*™ Lessons 3 and 10, [www.practicalmoneyskills.com/foreducators/lesson\\_plans/highschool.php](http://www.practicalmoneyskills.com/foreducators/lesson_plans/highschool.php)
- *Learning, Earning and Investing for a New Generation* Lessons 8, 9, and 18

## Income and Money Management: Content

Effect of scarcity and opportunity cost on decision-making; costs, benefits and opportunity; apply the decision-making process; factors affecting personal financial decisions and actions; financially responsible and irresponsible decisions; impact of global economic events on personal financial planning; compare income and spending plans affected by age, needs and resources; various money management strategies; trade-offs from competing financial goals; fees applied to various forms of spending and debt; spending plans; impact of forms of taxation; impact of government tax policies; tax planning and filing assistance; rights and responsibilities when entering contracts; banked; unbanked; FDIC; factors affecting financial planning; impacts on income and wealth; minimizing financial loss; legal documents such as wills and trusts; different types of insurance; insurance rates; premiums; deductibles; frauds; identity theft; co-signing loans; influence of advertising and media on decision-making; scams, cost of living adjustment (COLA).

## Income and Money Management: Vocabulary

Asset	Entrepreneurship	Medicare tax
Auto insurance	Exempt from withholding	Minimum wage
Automated teller machine (ATM)	Exemption	Net pay
Balanced budget	Expenditures	Net worth
Bank account transfer	Expenses	Opportunity cost
Bank statement	Federal income tax	Payday loan
Banks	Federal Insurance Contributions Act	Payroll deduction
Benefits	Federal Trade Commission (FTC)	Periodic expenses
Budget	File a return	Personal income
Check	Fixed expenses	Premium
Checkable deposits	Flat tax	Private college
Check-cashing services	Gainful employment	Progressive tax
Checking account	Gross pay	Public college
Contract	Health insurance	Renter's insurance
Cost of living adjustment	Homeowner's insurance	Rent-to-own contract
Costs	Human capital	Salary
Decision-making	Identity theft	Social Security Tax
Deductible	Income	Standard of living
Deflation	Income tax	Tax deductions
Direct deposit	Investment in human capital	Tax refund
Disability insurance	Liability	Unemployment insurance compensation
Discretionary income	Life insurance	Variable expenses
Disposable income	Liquid asset	W-2 form
Earned income credit	Marginal tax rate	W-4 form
Educational attainment	Means tested	
Employed	Medicaid	

## Resources

- *Financing Your Future*: Lessons 1.1, 2.1, 2.2, 2.3, 3.1, 3.2, 4.1, 4.3, 5.2, 5.3
- *Financial Fitness for Life*® Grades 9 – 12 Lessons 3, 4, 5, 6, 7, 10, 18, 19
- *Practical Money Skills*™ Lesson 5, 7, 8, 9, 13, 17, 19  
[www.practicalmoneyskills.com/foreducators/lesson\\_plans/highschool.php](http://www.practicalmoneyskills.com/foreducators/lesson_plans/highschool.php)
- Maryland Attorney General [www.oag.state.md.us/Consumers/edunit.html](http://www.oag.state.md.us/Consumers/edunit.html) Contracts: Know What You're Signing; Identity Theft; Complaining Effectively
- *Virtual Economics*® Insurance Lessons 1, 2, 3, and 4

## Practice-Sample Questions

1. One disadvantage of obtaining furniture or appliances from a Rent-to-Own store instead of purchasing it outright is that with a Rent-to-Own store, the consumer:
  - a. **pays much more for the furniture.**
  - b. must use a credit card to make the purchase.
  - c. cannot take possession of the furniture until it is totally paid for.
  - d. usually receives used furniture and not new items.
2. If you cannot make your monthly debt payments, you should:
  - a. let the creditor turn your debt over to a collection agency.
  - b. declare personal bankruptcy as soon as possible.
  - c. skip a payment this month and hope next month is better.
  - d. **contact your creditors to try to work out a modified payment plan.**
3. Which of the following is not an example of a personal liability?
  - a. rent/mortgage
  - b. **checking account**
  - c. credit card balance
  - d. car loan



4. If you purchased the item referred to in the advertisement above, you actually:
  - a. saved \$19.00.
  - b. saved over 50%.
  - c. spent more than budgeted.
  - d. **spent \$16.00.**
5. The lower a person's credit score, the more likely it is that he or she:
  - a. has not declared bankruptcy in the past 10 years.
  - b. does not need a co-signer to obtain a bank loan.
  - c. may have benefitted from having no credit history.
  - d. **will pay a higher interest rate on a loan.**

6. A “load” mutual fund means that:
- a. **there is a sales commission charged for investing in the fund.**
  - b. no additional stocks can be brought into the fund.
  - c. the mutual fund can only be purchased through a licensed broker.
  - d. there is no minimum amount that can be invested in the fund.
7. All of the following are reasons to buy bonds **except**:
- a. bonds may outperform the stock market during certain periods of time.
  - b. **bonds generally have outperformed the stock market over the last 100 years.**
  - c. bonds pay out interest at set intervals, allowing people to live off the income.
  - d. investing in municipal bonds may generate less tax liability than investing in stocks.
8. Which of the following savings vehicles does not include a penalty for early withdrawal?
- a. Individual Retirement Account
  - b. 401(k) plan
  - c. Certificate of Deposit
  - d. **Money Market Account**
9. You had 100 shares of McCormick stock, valued at \$15.00 per share, and the stock splits 2 for 1. After the split you now own:
- a. **200 shares of MartCo stock worth \$1500.**
  - b. 100 shares of MartCo stock worth \$750.
  - c. 200 shares of MartCo stock worth \$3000.
  - d. 100 shares of MartCo stock worth \$4500.
10. If you own stock in C&O Railway, which of the following events poses the greatest risk to your investment?
- a. **a decrease in demand for the products ABC ships.**
  - b. a natural disaster temporarily shuts down 100 miles of ABC tracks.
  - c. a new government restriction on the size of loads carried by trucks.
  - d. a rival train company goes out of business.
11. Bonnie wants to cash her paycheck. The easiest and least costly way to do this is at:
- a. a local convenience store.
  - b. a check cashing company.
  - c. **a credit union where she has an account.**
  - d. a bank where she does not have an account.

12. The longer the waiting period on a disability contract.
- a. the higher the monthly benefit.
  - b. the longer the policy term.
  - c. the broader the definition of disability.
  - d. the lower the premium.**
13. You receive a telephone call from a collection agency saying you have failed to pay a bill for nearly \$20.00. You explain that the correct name was used but the billing address for the account was wrong. Which type of fraud is this?
- a. Credit-repair scheme
  - b. Ponzi scheme
  - c. Identity theft**
  - d. Payday loan
14. The first step in creating a spending plan is to:
- a. determine where to invest your retirement savings.
  - b. record your payments in the appropriate categories.
  - c. determine where you are currently spending your money.**
  - d. record your insurance premiums in the record book.
15. Which of the following choices would involve the highest opportunity cost for the person making the choice?
- a. A year of high school vocational training taken by a 17 year old.
  - b. A year of part-time, on-the-job training taken by a mid-career office assistant.
  - c. A year at a community college taken by a veterinarian's assistant.
  - d. A year of refresher courses at medical school taken by a 45-year old doctor.**
16. Bill owns a Ford mustang and while he is backing out of his garage, he is not paying close attention and hits the side of the door, leaving a big dent in his rear bumper. He does insurance with State Farm so when he calls to make claim what part of his insurance policy will he hopefully be able to use to pay for the damage
- a. Liability
  - b. Collision**
  - c. Comprehensive
  - d. Home owners
17. As a follow-up to the previous question, if Bill has a \$500 deductible in his policy, and the damage to his car is \$1,275 how much will he have to pay out his pocket, if anything:
- A. \$500
  - B. \$775**
  - C. \$1,275
  - D. \$0

18. John takes out a fixed rate \$88,000 loan from M&T Bank with an interest only rate of 3.5% how much will he be required to pay at the end of the first year?
- a) 4,500
  - b) 3,120
  - c) 3,080**
  - d) 3,430
19. Jim, who is 60, needs to get cash quickly, but he does not want to incur any tax issue, so which of the following would be the fastest way to get the money in order to pay bills that will be overdue if he waits another week:
- a) Sell stock in his company 401K plan
  - b) Cash in stock from personal IRA account
  - c) Get the money from selling stock in his ROTH IRA account
  - d) Take the money from a 3-year CD (certificate of deposit) that he has with his bank**
20. Once, more, following up to the previous question since Jim is 60, and retired for the past two years, just how much can he invest in either his personal IRA or his ROTH IRA (he is not allowed to do both in the same tax year):
- a) \$6,000
  - b) \$6,500
  - c) \$7,000**
  - d) As much as he wants, since he's retired

## Sample Case Study

### Rules:

1. Each team is provided with incomplete financial information about a fictional family’s financial situation. You are not given all information necessary and are free to create additional information about your family if you wish.
2. Your team is charged to study this family’s finances and make recommendations as if you are their financial advisor. You can create a budget and expense sheet and anything else you might want to show them as you present your recommendation. You will present your recommendations to the family in 4 areas:
  - debt
  - savings goals
  - insurance
  - taxes
3. You will create a Power Point presentation as a team and present it to the panel of judges. The presentation must not exceed 15 minutes in length. Judges will have 5 minutes for Q and A. Each member of your team should have a speaking part in your presentation. You may use any creative method of delivery to enhance your presentation.
4. Your goal is to give the family sound advice for their future based on your knowledge of financially sound practices. Your teacher may not assist you in anyway except to help make sure that you can access the technology.

### FAMILY FINANCIAL PROFILE:

#### FAMILY MEMBERS:

The following narrative describes some details about the fictitious Hathaway family, a couple with 2 children. Their financial circumstances:

<b>Name (age)</b>	<b>Employment</b>	<b>Annual Salary</b>
Bernie Hathaway (39)	Independent Contractor	\$48,000
Bernice Hathaway (38)	Nurse Practitioner	\$150,000
Charlie (10)		
Warren (8)		

The Hathaway's have mentioned not knowing much about the stock market and are worried they will not have enough for their retirement or education needs for Charlie.

We suggest that you create a budget for the family using expenses that they may have and show what they are now spending plus other items. We have given you some of their expenses but you should create the rest of their expenses from your knowledge of personal finance. The data provided and the following narrative is incomplete; however, you may discover some areas where their personal financial practices could be improved.

### **GOALS:**

The Hathaways have recently decided to consult a financial expert on what they might do to improve their financial situation and achieve their goals.

Bernice recently received a \$8,000/yr raise and wants help to allocate it toward their financial goals. Her raise is reflected in the annual salary listed above.

Bernice would like Charlie to attend a private university. Bernie feels that a state public university is sufficient. Warren is not expected to attend college.

Bernice and Bernie would like to retire at age 58.

They would like to make sure the mortgage on their home would be paid off and the children's education would be taken care of in the event of one of their deaths.

### **SAVINGS:**

Bernice contributes 5% of her salary to her 403(b), which receives a 100% match from her employer. Current value is \$95,000.

The Hathaways have an emergency fund of \$5,000 and a working checking account with an average balance of \$2200.

Bernie also has a rollover IRA from an old 401(k), current market value is \$181,000 invested all in cash. Bernie is not currently contributing to any retirement plan.

Bernice has inherited \$125,000 in an S&P 500 index fund, which they currently hold in a joint account in a brokerage firm. In addition, the Hathaway's inherited Bernice's late parents' home which they are considering turning into a rental property. The approximate fair market value of the home is \$125,000 and has no debt.

## **DEBTS:**

### **Home Mortgage**

They financed at a 5.5% interest rate and have 19 years left on a 30 year fixed rate mortgage with a balance of \$315,000. The market value of the home is \$425,000.

#### **Housing Expenses**

Principal & Interest	\$2200
Prop. Tax Escrow	\$710
Homeowners insurance	\$300
Monthly Total	\$3,210

### **Credit Cards**

Bernie has a Borsheim's credit card with a balance of \$3200 at 18.99%. Bernice loved the tennis bracelet!

The Hathaway's recently purchased a ski boat to spend summer days on the lake. The purchase price was \$29,500. They put down \$10,000 at the time of purchase. The interest rate on the loan is 7.9%.

### **Transportation**

Bernice drives a 2013 BMW X7. The current monthly payment is \$750 with a total balance of \$29,000. The car is financed at a rate of 6.9%.

Bernie drives a 2012 extended cab Toyota Tundra. The remaining balance on the loan is \$3400. The monthly payment is \$400 at an interest rate of 6.9%.

## **INSURANCE**

### *Life*

Bernice has group life insurance, paid through her employer, of 3x her base salary.  
Bernie does not currently have any life insurance.

### *Health*

Bernice has an excellent benefits package including full health insurance benefits for the family.  
Bernie also has group long-term disability insurance, which covers 60% of her salary.

### *Car*

Both vehicles are fully insured with a \$250 deductible.

### *Taxes*

Bernie and Bernice are expecting a tax return of \$7100 from the federal government and owe the state of Nebraska \$900.

## **OTHER THINGS TO CONSIDER**

Warren, the Hathaway's 8 year old son is autistic, on the higher functioning spectrum. He is expected to be able to live semi-independently as an adult. The Hathaway's want to ensure his long term financial security while ensuring he does not lose out on any state benefits he may be eligible for.

## **ANALYSIS AND PRESENTATION**

In your presentation, you should consider covering the following questions and any other additional recommendations for the Hathaway family.

1. How can they be more efficient in handling their debts?
2. What can they do to better address their goals, including taking care of Warren?
3. Are there any changes needed to their insurance?
4. Should they increase their retirement savings?
5. What's the best use of the family's tax return?
6. What should they do with the inherited assets?

## National Personal Finance Challenge

The National Personal Finance Challenge provides an opportunity for state champion teams to represent their school and their state to compete to become the national champion team. Typically, the National Personal Finance Challenge is held in person at a location designated by the Challenge organizers. However, due to COVID-19, the 2021 National Personal Finance Challenge will be held virtually. The format is subject to change but the details provided below are based on past competitions.

### Format

The National Personal Finance Challenge uses a similar format to the 2021 Maryland Personal Finance Challenge Competition. The competition consists of two rounds, a preliminary and a final round. The top performing teams from the preliminary round advance to the final round.

The first round of the Competition consists of an online multiple choice question round. This is similar to the state level competition. Top performing teams from this preliminary round advance to the final round.

The final round of the competition requires students to demonstrate their knowledge of personal finance topics through analyzing a case study and presenting the results in a formal presentation. Team members are given two hours to create a PowerPoint presentation and are asked to present to a panel of expert judges. Students are evaluated on the content of presentation, their presentation skills, and teamwork. The top performing team in this round is declared the National Champion.

Maryland has a strong history of producing finalists and National Champion teams. Hopefully your team will be next!

## Need Additional Help?

Please contact the Maryland Council on Economic Education with any questions that you or your students may have about the program.

The Personal Finance Challenge is designed to be fun! If you are confused or stressed, please let us help you!

## Recorded Coaching Webinar

To learn how to get started and gets some tips and tricks from past champion teachers, please watch our recorded video at <https://www.youtube.com/watch?v=TFCIFs24984>



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