

TEACHER RESOURCE GUIDE

financechallenge.unl.edu/michigan

The Michigan Personal Finance Challenge is an opportunity for high school students to demonstrate their knowledge of personal finance by competing with other students across the state.

Every Michigan high school teacher will have the opportunity to have their students participate in the online qualifying round of the Personal Finance Challenge. The top schools from across 8 regions of Michigan along with 12 at-large teams will be invited to participate in a [case study presentation](#) for the State Finals competition at the Federal Reserve Bank of Chicago-Detroit Branch. Students will take on the role of financial planner to analyze a fictitious family scenario and present their recommendations to a panel of judges.

The two teams with the highest scores after the case study presentation will compete for the state title and a **\$2,000 MESP scholarship** to split in a fast-paced "Quiz Bowl" round. The fun does not stop there! The winner of the state title will travel, expenses paid, to the University of Nebraska on May 10, 2019 to represent Michigan in the National Personal Finance Challenge to win more cash and prizes!

Attendees at the State Finals will put personal finance concepts into action during a Financial REALity Fair conducted by Michigan credit unions. This 1 ½ hour active financial learning experience simulates one month of independent adult living where high school students make hard choices to obtain the goods and services they need while balancing their budgets.

Teachers may utilize any resources at their disposal in addition to the sites listed below to help prepare students for the Personal Finance Challenge.

National Standards for Financial Literacy

<http://councilforeconed.org/resource/national-standards-for-financial-literacy/>

Financial Fitness for Life

<http://fffl.councilforeconed.org/>

NextGen Personal Finance

<https://www.ngpf.org/>

Raymond James Life Goals

<https://www.raymondjames.com/lifegoals/>

The first 20 teachers to register and have at least 30 students take the online qualification test will receive a \$50 Amazon gift card.

STEP 1

Register at financechallenge.unl.edu/michigan

STEP 2 (optional)

During registration, you will be given the opportunity to request a classroom visit from a credit union financial education specialist to help your students prepare for the challenge. If you are not interested in a classroom visit, prepare using the materials provided in this document and check out competition rules on the registration site.

STEP 3

Enter student names from class roster, distribute access codes, students take 30 question online qualification test. Although teachers will create teams for online student qualification, this is merely a formality. Teams will be allowed to be reconstituted for the state finals.

STEP 4

8 high schools with top scores in their region along with 12 at large bids will be invited to attend the State Finals at the Federal Reserve in Detroit.

IMPORTANT DATES

Teacher Registration

January 2-March 25, 2019

Student Online Qualifier

January 2-March 25, 2019

State Finals

Federal Reserve Bank of Chicago
Detroit Branch
April 15, 2019

Council for Economic Education
National Standards for Financial Literacy

<http://councilforeconed.org/resource/national-standards-for-financial-literacy/>

EARNING INCOME

Income for most people is determined by the market value of their labor, paid as wages and salaries. People can increase their income and job opportunities by choosing to acquire more education, work experience, and job skills. The decision to undertake an activity that increases income or job opportunities is affected by the expected benefits and costs of such an activity. Income also is obtained from other sources such as interest, rents, capital gains, dividends, and profits.

PROTECTING & INSURING

People make choices to protect themselves from the financial risk of lost income, assets, health, or identity. They can choose to accept risk, reduce risk, or transfer the risk to others. Insurance allows people to transfer risk by paying a fee now to avoid the possibility of a larger loss later. The price of insurance is influenced by an individual's behavior.

USING CREDIT

Credit allows people to purchase goods and services that they can use today and pay for those goods and services in the future with interest. People choose among different credit options that have different costs. Lenders approve or deny applications for loans based on an evaluation of the borrower's past credit history and expected ability to pay in the future. Higher-risk borrowers are charged higher interest rates; lower-risk borrowers are charged lower interest rates.

BUYING GOODS & SERVICES

People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic wellbeing by making informed spending decisions, which entails collecting information, planning, and budgeting.

SAVING

Saving is the part of income that people choose to set aside for future uses. People save for different reasons during the course of their lives. People make different choices about how they save and how much they save. Time, interest rates, and inflation affect the value of savings.

FINANCIAL INVESTING

Financial investment is the purchase of financial assets to increase income or wealth in the future. Investors must choose among investments that have different risks and expected rates of return. Investments with higher expected rates of return tend to have greater risk. Diversification of investment among a number of choices can lower investment risk.

EARNING INCOME

This standard focuses on income earned or received by people. The primary focus at the 4th grade level is to describe different types of jobs as well as different forms of income earned or received. Attention at the 8th grade level turns to the benefits and costs of increasing income through the acquisition of education and skills. Government programs that affect income are introduced. The 12th grade level gives further emphasis to types of income and taxes, highlights benefit-cost decisions related to jobs and careers, and introduces labor markets.

PROTECTING & INSURING

This standard builds an awareness of the ways in which wealth and income are vulnerable to loss from unexpected events. At the 4th grade level the primary focus is for students to be aware of financial risk and learn that individuals can reduce that risk by altering their behavior to reduce the likelihood and size of a loss. At the 8th grade level, the benchmarks introduce insurance (transfer of risk through risk pooling) as an option and emphasize that each option for managing risk (assume it, reduce it, insure it) entails a cost. The cost is often influenced by an individual's own behavior. The 8th grade benchmarks also introduce the risk associated with identity theft. At the 12th grade level the benchmarks expand the discussion of insurance contracts to consider how contract features encourage individuals to take steps to reduce the potential size of a loss. The 12th grade benchmarks also address more specific financial vulnerabilities with health, property/casualty, disability, and life insurance products. In addition, the 12th grade benchmarks focus on a wider range of personal information-sharing activities and how to protect against identity theft.

USING CREDIT

At the 4th grade level, students should understand the concept of credit and the cost of using credit—namely, the obligation to repay what is borrowed plus interest on the amount borrowed. Students should recognize that a reputation for repaying loans contributes to a person's ability to obtain loans in the future. At the 8th grade level, attention turns to why people use credit, the sources of credit, why interest rates vary across borrowers, and the reasons for using credit to invest in education and durable goods. Students should be able to make basic calculations related to borrowing, including principal and interest payments as well as compound interest. At the 12th grade level, the focus is on credit reports, credit scores, behaviors that contribute to strong credit reports and scores, and the impact of credit reports and scores on consumers. Consumer protection laws as they apply to credit and credit card use are also covered.

BUYING GOODS & SERVICES

The 4th grade benchmarks introduce the concepts of scarcity, choice, and opportunity cost. Factors that influence spending choices, such as advertising, peer pressure, and spending choices of others, are analyzed. Attention is given to comparing the costs and benefits of spending decisions. The basics of budgeting and planning are introduced. The 8th grade benchmarks expand upon these concepts. More attention is paid to making a spending decision. Payment methods are introduced along with the importance of weighing the costs and benefits of each. Budgeting is discussed in more detail, including the classification of expenses. The 12th grade benchmarks frame a consumer's decision using economic ideas such as satisfaction, determinants of demand, costs of information search, choice of product durability and other features, and the role of government and other institutions in providing information for consumers.

SAVING

At the 4th grade level, the primary focus is for students to understand the concept of saving. Students should know how people save money, where people can save money, and why people save money, as well as the concept of interest. At the 8th grade level, the focus turns to the role that financial institutions play as intermediaries between savers and borrowers as well as the role government

agencies such as the Federal Deposit Insurance Corporation (FDIC) play in protecting savings deposits. The role of markets in determining interest rates is introduced. Finally, the mathematics of saving is covered, including the power of compound interest. All of this is framed around the choices people make about how much to save. At the 12th grade level, more complex concepts are introduced, such as real versus nominal interest rates, present versus future value, financial regulators, the factors determining the value of a person's savings over time, automatic savings plans, "rainy-day" funds, and saving for retirement.

FINANCIAL INVESTMENT

At the 4th grade level, students begin to understand that investment means using resources to expand an individual's or business's abilities to produce in the future. A financial investment is using one's savings to purchase financial assets with the goal of increasing one's income and/or wealth in the future. At the 8th grade level, students will understand the variety of possible financial investments and be able to calculate rates of return. At the 12th grade level, students are expected to be able to explain the relevance of and to calculate real and after-tax rates of return. They will be able to discuss how markets cause rates of return to change in response to variation in risk and maturity. Students will explain how diversification can reduce risk. Students will understand how financial markets react to changes in market conditions and information.

See the benchmarks at: <http://goo.gl/9TLUol>

SAMPLE CASE STUDY TO PREPARE FOR 2019 STATE FINALS

Once the assessment begins, the team becomes a Financial Planning company and they should look at the information from that point of view. Their task will be to analyze the family's financial health and make specific recommendations to the family.

The presentation should address the following:

- Analysis of the family financial health
- Rationale for the advice the financial planners will give to the family; in other words explain the recommendations or the options the family might consider
- Overall presentation in terms of:
 - Clearly identify any areas of concern and strength
 - Specificity in explanations
 - Ability to summarize the information for the family and make recommendations
 - Presentation itself is professional, including:
 - Team participation

- Each member exhibits understanding of the scenario and can answer questions related to the analysis of the financial planners
- Able to justify the reasoning for their opinion/recommendations
- Visuals/PPT reflects what the team is stating orally.
- Overall professional presentation in terms of the body language, articulation, gestures that add to the feasibility of the financial plan recommendations



2018 Michigan Personal Finance Challenge 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 7 minutes in length. Judges will have 3 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. Your Power Point presentation must be loaded onto the provided flash drive and turned in no later than 12:00pm.
4. Your goal is to give the family 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. You may utilize multiple electronic devices as you prepare. You will have a pass you can use for a 5 minute meeting with a financial counselor to ask any questions you may have at any point during your preparation period.

Family Financial Profile

FAMILY MEMBERS

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

| Name | Age | Employment | Annual Salary | Credit Score |
|----------------|-----|------------------------|---------------|--------------|
| Mike Burkey | 43 | Electrician | \$75,000 | 670 |
| Marissa Burkey | 40 | Private School Teacher | \$55,000 | 740 |
| Brianna Burkey | 12 | | | |
| Joey Burkey | 7 | | | |

The Burkeys have mentioned not knowing much about finance and want to ensure a secure retirement for themselves and college planning for their two children.

It is suggested that you create a budget for them 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 Burkeys have recently decided to consult a financial expert on what they might do to improve their financial situation and achieve their goals.

Mike recently received a \$6,000 bonus and they want help to allocate it toward their financial goals.

They would like both of their children to attend a four-year university in Michigan, without having a burden of excessive student loan debt.

Mike and Marissa would like to retire no later than age 60.

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

SAVINGS

Marissa contributes 4% of her salary to her 403(b) through Fidelity Investments. Her employer offers a 100% match up to 6%. The current value of her 403(b) is \$55,000. She has invested her 403(b) investment in 3 different stocks.

Mike has a 401(k) invested with Fidelity. The current market value of his account is \$114,000, invested half in bonds and the rest in cash. He was contributing \$400 a month into his 401(k), but stopped contributing last year so they could afford a motorhome. His employer doesn't have a matching program.

The Burkeys have an emergency fund of \$500 and a working checking account with an average balance of \$1,650.

Neither Mike nor Marissa will receive a pension upon retirement.

Mike's father recently passed away and left him and his two sisters an inheritance. The inheritance consists of his father's home, which has a fair market value of \$120,000, but his father had a mortgage on the property of \$30,000. Mike would like some advice on what to do with this inheritance.

The Burkeys have a college saving account for each of their children. They are currently contributing to the New Hampshire UNIQUE 529 College Investing Plan through Fidelity since it is open to non-residents. Brianna's balance is \$26,000 and Joey's balance is \$14,000. Each of the portfolios are invested in an age weighted account. The Burkeys were wondering if Michigan has a 529 plan and if so, should they switch over to it.

DEBTS

HOME MORTGAGE

They financed their home at a 6.4% interest rate and have 24 years left on a 30 year fixed rate mortgage with a balance of \$260,000. The current market value of the home is \$325,000.

MONTHLY HOUSING EXPENSES

| | |
|----------------------|---------|
| Principal & Interest | \$1,951 |
| Property Tax | \$864 |
| Homeowners Insurance | \$175 |
| | |
| Monthly Total | \$2,990 |

CREDIT CARDS/OTHER DEBT

Marissa has a Kohl's credit card with a balance of \$960 with an APR of 24.99%. Mike has a Platinum Delta Skymiles credit card so he can earn miles toward free flights and other benefits. The credit card has a \$195 annual fee and a 19% APR. There is currently a balance of \$4,850 on the credit card.

The Burkeys enjoy camping and purchased a used 2008 Gulf Stream RV Sun Voyager motorhome last summer for \$59,385. They had saved up \$12,000 for a down payment and borrowed the remainder with an interest rate of 6.9% on a 10 year fixed rate loan. The monthly payment is \$548 per month.

TRANSPORTATION

Mike drives a 2017 GMC Yukon, which he bought new. The current monthly payment is \$662 with a remaining total balance of \$38,642. The car is financed at a rate of 6.2%

Marissa drives a leased 2016 Ford Flex. The monthly payment is \$410 and the contract expires in August 2018. She is concerned about having enough money for a down payment for a new vehicle when her lease expires.

INSURANCE

LIFE

Mike has a \$60,000 life insurance plan through his employer.
Marissa has a \$50,000 life insurance policy through her employer.
The Burkeys don't have any life insurance for their children.

HEALTH

The Burkey family gets its health care coverage through Marissa's employer. Her employer just switched over to a high-deductible health plan with a \$4,000 family deductible so the Burkey family doesn't have a monthly premium payment. Marissa is wondering if there are any tax-advantaged programs available with her new health care plan. The family has determined that the coverage through Marissa's employer is better than what is available through Mike's employer.

Marissa also has group long-term disability insurance, which covers 60% of her salary.

AUTO

Both vehicles and the motorhome are fully insured. Their comprehensive deductible for all vehicles is \$100 while their collision deductible is \$250. The Burkey family pays a total premium of \$1,680 every 6 months to insurance all of their vehicles.

INCOME TAX

Mike and Marissa are expecting a tax return of \$8,700 from the federal government in early May 2018, but owe the State of Michigan \$270.

OTHER THINGS TO KNOW

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

1. How can they be more efficient in handling their debts?
2. What can they do to better address their goals?
3. Are there any changes needed to their insurance?
4. What should they do about their retirement savings?
5. What's the best use of the family's tax return?
6. Do you have any advice regarding their income taxes?
7. What should they do with the inherited assets and other one-time sources of income or cash?



CASE STUDY SCORING RUBRIC on following page



| | | | | | | | | | | | |
|--|---|----------|----------|----------|----------|----------|----------|----------|----------|---------|--|
| Analysis of Current Family Finances 40 Points Total | Analysis of the strengths and weaknesses of the family's large financial decisions. | | | | | | | | | | Fails to Meaningfully Analyze 1 Point |
| | Comprehensive Analysis 10 points | 9 Points | 8 Points | 7 Points | 6 Points | 5 Points | 4 Points | 3 Points | 2 Points | 1 Point | |
| | Analysis of the strengths and weaknesses of the family's small financial decisions (Day-to-Day Purchases) | | | | | | | | | | Fails to Meaningfully Analyze 1 Point |
| | Comprehensive Analysis 10 points | 9 Points | 8 Points | 7 Points | 6 Points | 5 Points | 4 Points | 3 Points | 2 Points | 1 Point | |
| | Illustrates depth of knowledge of sound financial practices | | | | | | | | | | Fundamental or Numerous Flaws 1 Point |
| | Perfectly Sound Analysis 10 points | 9 Points | 8 Points | 7 Points | 6 Points | 5 Points | 4 Points | 3 Points | 2 Points | 1 Point | |
| | Demonstrates critical thinking | | | | | | | | | | Broken Understanding of Family's Situation 1 Point |
| | Total Understanding of Family's Situation 10 points | 9 Points | 8 Points | 7 Points | 6 Points | 5 Points | 4 Points | 3 Points | 2 Points | 1 Point | |
| | Rationale explained using specific examples from data | | | | | | | | | | Assumes Far Too Much /Disjointed From Model 1 Point |
| | Perfectly Sound Approach 10 points | 9 Points | 8 Points | 7 Points | 6 Points | 5 Points | 4 Points | 3 Points | 2 Points | 1 Point | |
| Financial Planner Recommendations 40 Points Total | Projections for short and long term financial stability are supported using data analysis | | | | | | | | | | Fails to Meaningfully Analyze Their Work 1 Point |
| | Comprehensive Analysis Used 10 points | 9 Points | 8 Points | 7 Points | 6 Points | 5 Points | 4 Points | 3 Points | 2 Points | 1 Point | |
| | Recommendations aren't just ways to cut costs, but also show interest in optimizing each family member's quality of life/happiness. (Don't just make everyone stop doing everything fun) | | | | | | | | | | Family's Quality of Life Seems Severely Reduced 1 Point |
| | Quality of Living Seems Improved for All 10 points | 9 Points | 8 Points | 7 Points | 6 Points | 5 Points | 4 Points | 3 Points | 2 Points | 1 Point | |
| | Demonstrates depth of knowledge beyond the general expectations of this scenario and suggests a creative and viable plan to improve the financial well-being of the family (Uniqueness) | | | | | | | | | | Plan Lacks Any Creativity/Inspiration 1 Point |
| | Very Creative Yet Well-Grounded Recommendations 10 points | 9 Points | 8 Points | 7 Points | 6 Points | 5 Points | 4 Points | 3 Points | 2 Points | 1 Point | |
| | Professional, well organized and well orchestrated | | | | | | | | | | Fails to Meaningfully Analyze 1 Point |
| | All Team Members Are Outstanding 10 points | 9 Points | 8 Points | 7 Points | 6 Points | 5 Points | 4 Points | 3 Points | 2 Points | 1 Point | |
| | Articulation of presentation and in answering questions | | | | | | | | | | Presentation Style/Flaws Damage Comprehension 1 Point |
| | Absolute Clarity 10 points | 9 Points | 8 Points | 7 Points | 6 Points | 5 Points | 4 Points | 3 Points | 2 Points | 1 Point | |
| Presentation 20 Points Total | | | | | | | | | | | |
| | | | | | | | | | | | |