

## Claire's Income and Expense Statement

	Total Points Earned
20	Total Points Possible
	Percentage

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Claire is applying for a loan to purchase a pre-owned car. She is told that the monthly payment for the loan would be \$200. She wants to make sure that she can afford this monthly loan payment, so she is creating an Income and Expense Statement to summarize her financial transactions for a month. Claire saved her paycheck stub and all receipts for the month of August and summarized the information below. Use this information to help Claire create an Income and Expense Statement for the month.

Claire was lucky to land her dream job several years ago. She is paid \$4,000.00 per month before deductions. Her August paycheck stub indicated that she pays \$800.00 in Federal Income Taxes, \$230.64 in Social Security and \$53.94 in Medicare taxes. As part of her job she receives benefits including an employer sponsored retirement account which she pays \$280.00 into every month. She appreciates that this is automatically deducted from her paycheck. To ensure she is prepared for retirement, she also saves \$50.00 per month in a personal retirement account. As part of her job she also receives excellent health insurance, a benefit for which she only pays \$120.00 per month. Even though her health insurance covers the majority of her medical expenses she still has to pay a small percentage of the out-of-pocket costs, so she budgets \$75.00 per month. Claire understands the importance of saving money for future use and emergencies so she diligently saves \$400.00 per month by having the money automatically transferred to her savings account.

After saving for a down payment, last year Claire was able to reach her goal of home ownership and she purchased a small house. She pays \$800.00 per month towards her mortgage which also includes her property taxes. Other costs of owning her home include \$150.00 for all utilities and \$50.00 for homeowner's insurance. Her house was only a couple years old when she purchased it so maintenance costs are low. She tracked about \$50.00 per month in various household maintenance and cleaning expenses.

Claire owns a car that is fully paid for. She spent \$100.00 on gas in August as well as \$50.00 on repairs and maintenance. She pays \$50.00 per month for automobile insurance and budgets \$20.00 per month to pay her yearly license and registration fee. Even though Claire owns a car that runs well she feels like she is doing well financially and would like to upgrade to a newer car with fewer miles.

Claire enjoys dining out, so she spends \$150.00 per month at restaurants as well as \$120.00 on groceries and \$20.00 on other kitchen supplies like dishwasher detergent.

Claire owns a cell phone that costs her \$60.00 per month. She spends \$30.00 per month on clothing and \$50.00 per month on personal care, such as hair-cuts and make-up. Claire enjoys reading and owns an e-reader and allows herself to purchase \$15.00 per month in e-books. Claire also spends \$75.00 per month on other forms of entertainment such as renting movies and spending time with friends.

Using the template provided, complete Claire's Income and Expense Statement. (10 points for completion)

When the statement is complete, analyze the statement to answer the questions below.

1. Does Claire have a net gain or a net loss? What amount? (2 points)
  
  
  
  
  
  
  
  
  
  
2. After examining her Income and Expense Statement, if you were Claire's financial advisor, what is one change you would recommend Claire make to her financial decisions? Explain. (2 points)
  
  
  
  
  
  
  
  
  
  
3. Do you think Claire missed any expenses that should be recorded on her Income and Expense Statement in the future? (2 points)
  
  
  
  
  
  
  
  
  
  
4. From the information in her Income and Expense Statement, would you recommend that Claire purchase the new car and begin making the monthly loan payment of \$200.00? Provide at least two reasons to support your answer. (3 points)
  
  
  
  
  
  
  
  
  
  
5. What other information would help Claire make a decision regarding whether or not to purchase a new car? (1 point)