

What Do You Want for the Holidays?

It's your lucky day... your parents have just come to you and asked, **“How much do you think our family should spend on holiday gifts this December?”** So now it's your job to figure out the best answer to this question.

Because of your recently acquired knowledge of responsible investing and consumer decision-making, you know the right answer isn't spending lots of cash for a brand new car for you; instead, you will be providing guidance on holiday spending by assessing the overall financial situation of your family and prioritizing consumer finance decisions.*

You will be assessed on the depth and practicality of your thinking, not on the packaging of your final decisions. Therefore please take the time to truly assess your chosen family's financial situation so that you can make the most helpful suggestions. Also, please see the grading rubric to make sure that you are meeting the requirements of this problem-solving assignment.

Your tasks:

1. Choose a family from the options below.
2. Analyze the family's economic status using all of the details provided. Write a one paragraph diagnosis of your chosen family's current financial status. Your paragraph should include at least two financial strengths and two weaknesses. Make sure you are familiar with all consumer economics terms provided below and analyze them accurately in your paragraph.
3. Write a list for your chosen family of your top five financial suggestions to get the family in the best possible financial health before the holiday season. Your five suggestions must come along with explanations—why should the family follow your advice?
4. A dollar figure suggestion for the family's holiday spending and—the fun part—an explanation of what will be purchased with that money.



OR



???????

Family options:

| | Family #1 | Family #2 | Family #3 |
|---|------------------------|------------------|-------------------------|
| Average household FICO credit score | 700 | 550 | 670 |
| Gross (before taxes) salary | \$50,000 | \$60,000 | \$100,000 |
| Monthly contribution to 401k retirement account | \$100 | \$0 | \$250 |
| Home value | \$199,000 | n/a | \$289,000 |
| Monthly housing expense | \$800 mortgage payment | \$900 rent | \$1300 mortgage payment |

* To insure confidentiality of financial information, you will be choosing a fictional family with a pre-determined financial profile.

| | | | |
|--|---|---|--|
| Monthly housing insurance | \$100 homeowner's premium | \$40 renter's premium | \$120 homeowner's premium |
| Credit card debt | \$800 at 14% APR | \$0 | \$1200 at 12% APR |
| Family automobile | 2002 Toyota Camry with 50,000 miles in good condition | 1999 Honda Accord with 75,000 miles in good condition | 2005 Nissan Altima with 25,000 miles in good condition |
| Monthly automobile expense | \$150 | \$0 (loan has been paid off) | \$205 |
| Monthly automobile insurance | \$175 (comprehensive and collision premiums) | \$150 (comprehensive and collision premiums) | \$200 (comprehensive and collision premiums) |
| Monthly federal Stafford loan expense | \$0 | \$100 | \$200 |
| Monthly contribution to college savings plan | \$50 | \$100 | \$0 |
| Checking account balance (est.) | \$1500 | \$1500 | \$1500 |
| Savings account balance (1% APR) | \$300 | \$0 | \$600 |
| Money market account balance (4% APR) | \$1000 | \$1000 | \$0 |
| CDs | \$200 with 1/15 maturity date | \$500 with 2/15 maturity date | \$100 with 12/1 maturity date |
| Stocks | MOT: 100 shares UNH: 50 shares | F: 150 shares CAT: 150 shares | IBM: 100 shares HD:100 shares |
| Other investments | \$200 U.S. Savings bond, maturity 9/1/2015 | \$1700 account balance in Fidelity mutual fund | \$1000 account balance in Fidelity mutual fund |

Resources that may be of assistance to you:

- the consumer finance section of our textbook
- assorted materials provided in class
- <http://www.kbb.com/> (Kelly Blue Book for automobile values)
- <http://finance.yahoo.com/> (Yahoo Finance for stock information)
- <http://www.ftc.gov/credit> (Consumer finance information from the Federal Trade Commission)
- <http://www.creditunion.coop/> (see the "Personal Finance Tips" from the National Association of Credit Unions)
- <http://www.chicagotribune.com/classified/realestate/> (Chicago Tribune real estate listings)