

**Instructions** Let's learn more about Will and Stephanie and help them determine how much money they need to save.

**Will** recently decided that he'd like to take a trip this upcoming summer. Here's some more information about Will and his goal:

- \$500 a month from his parents
- \$2,000 saved up from a summer job in his savings account, which earns 1% annually
- \$600 book expenses for his first semester at school
- \$500 book expenses for his second semester at school
- His meal plan covers the majority of his eating, 18 meals a week
- He plans to spend about \$30 a meal for each of the remaining meals, plus about \$40 a week in snacks, coffee, and other miscellaneous expenses.
- He plans to spend about \$250 over the course of each semester in entertainment (travel, movies, sporting events, etc.)
- His housing and all other expenses are covered by tuition
- The semester is 16 weeks (4 months) long
- He believes his trip will be two (2) weeks long, and take place at the beginning of May
- He wants to plan a road trip with some friends of his, prior to starting a summer internship in his hometown
- They estimate that the total cost will be \$5,000 for the 4 of them to split hotel, gas, food, and other miscellaneous expenses

**Stephanie** recently received an offer for a job that will pay her \$70,000 a year (before taxes). She knows that she'd like to be able to buy a new vehicle within a few years after graduating this upcoming spring. Here's some more information about Stephanie's goal:

- She anticipates \$70,000 a year as an annual pre-tax salary (with \$4,500 a month post-tax)
- \$30,000 owed in student loans when she graduates, with a \$200 monthly payment
- \$5,000 in her savings account, which earns 2.5% annually
- \$2,000 in her checking account
- A used car valued at about \$2,000
- A computer and other various personal items valued at about \$3,000
- She thinks she'll be able to live off of \$3,000 a month for living expenses (food, rent, utilities)
- She's like to buy a new sedan (perhaps a corolla) with some upgrade options. Her estimate is \$20,000 in two years
- Her goal is to be able to pay for the car without taking on any additional loan

### Questions

Given the information for Will, how much will he need to save for his portion of the trip and for the remainder of his living expenses this year of school? (Hint: Calculate the future amount needed, without considering the effect of interest)

- A. \$750

- B. \$950
- C. \$1250
- D. \$1490

How much should Will plan to save on a monthly basis in order to reach his savings goal (assuming it's the start of the school year)? (Hint: You'll need to consider the effect his savings account interest rate has on his monthly savings amount)

- A. \$118.40
- B. \$118.75
- C. \$185.75
- D. \$181.25

If Will wants to look for a part-time job this school year, which is the best option for him to reach his savings goal, without taking away from his studies?

- A. 5 hours a week, earning \$8 an hour
- B. 5 hours a week, earning \$10 an hour
- C. 10 hours a week, earning \$8 an hour
- D. 10 hours a week, earning \$10 an hour

If Will decides he wants to take an extra \$500 in spending money with him, will he have enough based on him saving all of his part-time job earnings towards his savings goal? (Hint: Look at how much he'll save each month from his job with impact of interest on his savings account)

- A. No, he will be short approximately \$154
- B. No, he will be short approximately \$345
- C. Yes, he will be over approximately \$154
- D. Yes, he will be over approximately \$345

Given the information for Stephanie, how many months will it take her to save for a new car, without using her checking account balance? (Hint: Calculate the number of months needed assuming she saves all her discretionary income into her savings account to reach the goal amount)

- A. 12 months
- B. 15 months
- C. 20 months
- D. 24 months