

# Simulation Information Packet

**This is the info packet for the simulation listed below. You'll need the details and 'fine print' contained in this packet to help make vendor selections and create a budget for the weeks ahead.**

StartDate - End Date: (10/5/2017 - 12/14/2017)

Course Name: 2017\_Oct5\_to\_Dec14

Starting Score: \$3,000.00

Starting Bank Balance: \$1,000.00

In Budget Challenge, the goal is to best manage THIS budget and cash flow scenario. We realize that in real life you may choose to spend your paycheck differently, but we created this simulation to be a contest (with scoring and winners) and, to keep it fair, we needed to fix the income and choices of expenses for everyone. We use national averages and data from the Bureau of Labor and Statistics as a basis for the recurring bills found in this simulation (such as auto loan and renters insurance). Other expenses (non-bills such as cash and credit card spending) are also included to represent a picture of a complete household budget. To keep these expenses the same (and to ensure they actually happen), we included all of them as credit card expenses. We understand that it is not typical (nor recommended) to use a credit card for everything, but it allows us to keep total spending equal and fair. **From experience, we know that some students, if given the choice of spending, would choose not to 'buy gas' or 'eat' for 2 months straight in order to gain an advantage in the competition.**

**The scenario:** In this simulation, you will be making the financial decisions for a young adult that just received the exciting news of getting a great new job. This new job pays more than the current part time jobs that you've been working at for a few months. You will need move to make the new commute manageable. Prior to the start of the simulation, you will select between similar products/services at the bank, different service providers/vendors, and 401(k) options offered at the new employer.

**Important: You will need to complete your vendor selections by 9:00PM local time on this date: 10/5/2017**

You may want to keep track of your decisions on a grid like the one below:

|                       | Option 1/2/3/4         |
|-----------------------|------------------------|
| Employer 401k option: |                        |
| Employer 401k%        |                        |
| Bank                  |                        |
| Auto Loan             |                        |
| Auto Insurance        |                        |
| Cable/Internet        |                        |
| Cell phone            |                        |
| Gas & Electric        |                        |
| Renters Insurance     |                        |
| Student Loan          | Option 1 (acknowledge) |

Before we get into the fine print for each vendor, here are some terms and vocabulary that we use throughout the simulation to describe the timing of bills and when payment is expected.

## Terms and Vocabulary

|                           |   |
|---------------------------|---|
| Cycle Day / Statement Day | This is the day of the month that a bill (or statement) gets generated. For example, if the cycle day is 11, then on the 11th day of the month you will receive a notification regarding a new bill.  |
| Due Day (Days until Due)  | This is how many days after the Cycle Day you have to pay the bill. Using the same example of a bill with Cycle Day 11 and a Due Day of 8, means that the bill is due on the 19th of the month.   |
| Grace Period              | This is the number of days after the Due Date that a payment can be received without a late penalty. Staying with this example, if the grace period was 1 day, then a payment received on the 20th would not be considered late. However, if the payment was received on the 21st or after, then late penalties will be assessed. |

## Employment, Paycheck & 401K Savings Details

# ProperLiving Widget Engineering & Design

Your new career is with ProperLiving Widget Engineering and Design as a Junior Widget Analyst. You will be working on the frontline of widget science and have exposure to the latest widget prototypes and products.

Your salary will be at an annual rate of \$41,808.00, payable in biweekly installments of \$1,608.00, less standard deductions (Federal Withholding, Social Security, Medicare, State Taxes and Healthcare). Your first paycheck will be 7 days after the start of the simulation and will contain pay for a full biweekly.

During new-hire orientation, you enrolled in the employer's high-deductible insurance plan and the premiums are automatically deducted from each paycheck. Your deductible is \$1,800.

As an employee of ProperLiving Widget Engineering and Design, you are encouraged to participate in their 401(k) saving program. They offer matched and unmatched 401(k) plans. For any of the matched plans, the employer will match your contribution at the specified level (Match %) for the first portion (Up to Match Percent) of your contribution. A non-match 401(k) program is also available. The 401(k) contribution percentage can be changed each pay period and cannot exceed 42.00% of your gross income (this is the Federal maximum given your annualized salary).

Please choose between the following plans

| Name                           | Match Percent | Up To Match Percent | Statement Day |
|--------------------------------|---------------|---------------------|---------------|
| Employer 401k (Match1)         | 0.00          | 0.00                | 27            |
| Employer Matched 401k (Match2) | 100.00        | 2.00                | 27            |
| Employer Matched 401k (Match3) | 25.00         | 10.00               | 27            |

401(k) plans are invested in a low risk composition of stocks and bonds. Returns on these investments are realized monthly in each 401(k) statement.

In addition to selecting the plan, it is also important to select a contribution rate (%) to be deducted from each bi-weekly paycheck. These contributions will transact each paycheck, be deposited into the 401(k) account, and count towards points in the game. Your contribution percentage can be changed each pay period (assuming your change request is submitted one day prior to the pay day).

## Banking and Checking Account Details

# Suburban City Bank

In this simulation, you will be banking with Suburban City Bank. You'll need to choose one of the 4 available checking account types listed below. All choices have online bill pay via the Internet and can be used to pay any bill in the simulation.

Your paychecks will automatically be direct-deposited into your chosen checking account. Suburban City Bank institutes a one-day hold on all deposited funds which will make deposits available the following day.

Below is a list of banking terms and checking account options:

- ODP (Over-Draft Protection) is included with some bank account types and is available for a monthly fee with other account types. When ODP is used, a cash advance will be issued from your linked Surge credit card to cover any amount that would otherwise overdraw the checking account. Note: An ODP usage fee will also be charged to the checking account each time ODP service is used.
- Below Minimum Balance Penalty: If at any time during the monthly cycle your balance falls below the required minimum balance, a 'Below Minimum Balance Fee' will be assessed.
- Non-Sufficient Funds (NSF) Charge: Checks that overdraw the checking account will not be processed and a NSF fee of \$39.95 will be charged to the bank customer's bank account. The bank will also charge the vendor that tried to deposit this NSF check a \$30 Returned Check Fee. All vendors in this simulation will pass along that \$30 fee directly to the customer's vendor account that caused the NSF.
- Accounts with a 'per check' fee will be assessed this fee on each check that is processed.
- The 'Statement Day' is the day of the month where changes to account types are processed and monthly statements are generated.
- Interest Accrual: For interest-bearing accounts, interest is calculated on the average daily balance. Also note that interest will only be paid on accounts that satisfy all minimum balance requirements for the entire monthly cycle.
- Bank account types may be changed at no additional cost to the customer by submitting an Account Change Request located at the bottom of the Bank page. This request must be submitted to Suburban City Bank at least one business day before the beginning of the next monthly cycle for changes to take effect in the upcoming Statement Cycle.
- If your account balance ever goes below zero you will be assessed a daily Negative Balance Fee of \$3.00

| Name | Description | Interest Rate | ODP | ODP Subscription Fee | ODP Use Fee | Per-Check Fee | Minimum Balance | Below Minimum Balance Fee | Statement Day |
|------|-------------|---------------|-----|----------------------|-------------|---------------|-----------------|---------------------------|---------------|
|------|-------------|---------------|-----|----------------------|-------------|---------------|-----------------|---------------------------|---------------|

| Name                           | Description                        | Interest Rate | ODP | ODP Subscription Fee | ODP Use Fee | Per-Check Fee | Minimum Balance | Below Minimum Balance Fee | Statement Day |
|--------------------------------|------------------------------------|---------------|-----|----------------------|-------------|---------------|-----------------|---------------------------|---------------|
| Suburban City Bank (Option #1) | No Minimum Balance Checking        | 0.00 %        | No  | \$0.00               | \$0.00      | \$0.50        | \$0.00          | \$0.00                    | 21            |
| Suburban City Bank (Option #2) | No Minimum Balance Checking w/ ODP | 0.00 %        | Yes | \$3.95               | \$10.00     | \$0.50        | \$0.00          | \$0.00                    | 21            |
| Suburban City Bank (Option #3) | Basic Checking with Free ODP       | 0.00 %        | Yes | \$0.00               | \$10.00     | \$0.00        | \$250.00        | \$9.95                    | 21            |
| Suburban City Bank (Option #4) | Interest Checking with Free ODP    | 2.00 %        | Yes | \$0.00               | \$10.00     | \$0.00        | \$400.00        | \$9.95                    | 21            |

### Vendor Account Details

## **VISTA VUE APARTMENTS**

In the simulation, you will be renting at Vista Vue. They only have 2 and 3 bedroom apartments, but it is close to work and you already know several friends that are looking to rent there. In fact, you know three friends that are currently looking for roommates to move to Vista Vue. One friend is interested in splitting a 2-bedroom apartment and a couple of other friends are interested in splitting a 3-bedroom apartment 3-ways. You have talked with and have agreements with all potential roommates that you would like to trade handling both the cable and gas & electric bills for \$150 less than the even split of the rent. From your research, these two bills add up to about \$150 and you think you will do a much better job of paying them on time to avoid the possibility of late fees or worse.

Monthly rent for the two bedroom is \$1,500 and requires an upfront security deposit of \$800. The monthly split for this option is half of the full rent (\$750) minus \$150 for handling the cable and utilities. Monthly rent for the 3-bedroom is \$1,950 and requires an upfront security deposit of \$1,650. The monthly split for this option is one third of the full rent (\$650) minus \$150 for handling the cable and utilities. Security deposits will be split evenly between all tenants and be included in the first bill. In this simulation, move-in day and the start of the lease is the first day of the simulation.

The leases at Vista Vue hold all roommates jointly and severally responsible for rent. Services included with rent: trash, sewer and water.

The landlord from your previous apartment has assured you that he would quickly inspect your old apartment and send you your security deposit less any damages or excessive cleaning in a couple weeks. The original deposit amount from your old apartment was \$350. The portion of your security deposit that the landlord returns will be deposited directly into your bank account.

Lease terms: Vista Vue will send you a rent bill on cycle day and it will reflect the payments made by roommates. In this simulation, roommates will pay their portion before the bills are sent out and you will be responsible for the remainder. Your rent payment (see table below) is due 7 days after the cycle day. If the due date is a Sunday or Federal holiday, then rent should be sent to arrive on the business day before. If rent is received after the due date, a late fee will be assessed on the first day late. Additional fees may apply for each day there is an outstanding balance after the due date. These daily ("5 Per Diem per tenant") fees will be assessed until the total outstanding balance is paid in full (up to and including fees assessed on the date your check is delivered).

Prorated rent: If the lease starts within 8 days of a regularly scheduled bill, then the prorated rent for remaining days in the month along with the full security deposit will be added to this first regularly scheduled bill. If there are more than 8 days remaining in the month, Vista Vue will immediately send out a bill for the full security deposit and the prorated amount for the remaining days in the month.

| <b>Apartment Choices</b>         | <b>Description</b> | <b>Cycle Day</b> | <b>Due Day - days after cycle day</b> | <b>Grace Period</b> | <b>Bill Amount</b> | <b>LateFee</b> | <b>Per Diem Fee</b> | <b>Billing Frequency</b> |
|----------------------------------|--------------------|------------------|---------------------------------------|---------------------|--------------------|----------------|---------------------|--------------------------|
| Vista Vue Apartments (Option #1) | Split 2 Bedroom    | 1                | 7                                     | 0                   | \$600.00           | \$25.00        | \$5.00              | Monthly                  |
| Vista Vue Apartments (Option #2) | Split 3 Bedroom    | 1                | 7                                     | 0                   | \$500.00           | \$25.00        | \$5.00              | Monthly                  |

## **ZIPPY'S AUTO LOAN**

You'll need a car to get to work and the only way you can afford one is to take out a loan and pay for it over the upcoming years. In this simulation, you have bought a used car that you saw listed in an on-line classified ad. You agree to buy a car from the dealer for \$19,938.05. The Kelly Blue Book "Private Party" suggested price for the same car is \$18,756. Please choose one of these two fine products at Zippy's.

Zippy's is a unique type of lender because they are both a credit union and a bank. In real life, lenders are either one or the other. In this simulation, they are combined to illustrate product differences.

- Credit Union requires a one-time membership fee. This will appear on your first bill.
- A late fee will be assessed as a percent of any unpaid amount that isn't received within the due date plus grace period.
- A Returned Check Fee will be added to customer's account balance for each returned check.

| <b>Auto Loan Choices</b>      | <b>Description</b> | <b>Cycle Day</b> | <b>Due Day</b> | <b>Grace Period</b> | <b>Bill Amount</b> | <b>LateFee %</b> | <b>Membership Fee</b> | <b>Billing Frequency</b> |
|-------------------------------|--------------------|------------------|----------------|---------------------|--------------------|------------------|-----------------------|--------------------------|
| Zippy's Auto Loan (Option #1) | Credit Union       | 15               | 8              | 1                   | \$380.84           | 5.00             | \$25.00               | Monthly                  |
| Zippy's Auto Loan (Option #2) | Bank Loan          | 15               | 8              | 1                   | \$395.93           | 5.00             | \$0.00                | Monthly                  |

## **AUTOREX Auto Insurance**

In the simulation, you will be purchasing auto insurance from AutoRex auto insurance. Pick one of the following Auto Insurance policies so you can drive your car legally.

The billing cycle is semi-annual, which means bills for insurance premiums are sent out twice per year on the cycle day. A late fee will be assessed to any account that doesn't receive a payment by the due date plus grace period. In the event of an automobile accident involving damages, the payment of the deductible is required before your claim can be processed. Payment of the Premium bill is required to establish insurance coverage. Driving uninsured can have severe penalties in real life and in this simulation.

If you are caught driving without insurance (unpaid premium bill + unexpected car crash event), you will be assessed a 1,000 point penalty because the consequences in real life are severe. You'll be driving a car that is worth \$19,938.05. Please remember to drive safely.

A Returned Check Fee will be added to customer's account balance for each returned check.

| <b>Auto Insurance Choices</b>      | <b>Description</b>      | <b>Cycle Day</b> | <b>Due Day</b> | <b>Grace Period</b> | <b>Premium</b> | <b>Deductible</b> | <b>LateFee</b> | <b>Billing Frequency</b> | <b>Next Bill Month</b> |
|------------------------------------|-------------------------|------------------|----------------|---------------------|----------------|-------------------|----------------|--------------------------|------------------------|
| AutoRex Auto Insurance (Option #1) | AutoRex 350             | 28               | 10             | 1                   | \$705.00       | \$350.00          | \$24.95        | SemiAnnually             | November               |
| AutoRex Auto Insurance (Option #2) | Low Premium AutoRex 550 | 28               | 10             | 1                   | \$678.00       | \$550.00          | \$24.95        | SemiAnnually             | November               |

## Thumbsprain Cable

Vista Vue falls within Thumbsprain Cable’s service area. Remember you will be handling this bill by yourself in trade for lower rent. There are many combinations of services available, but after discussions with the roommate(s) the following two were the only ones everyone was comfortable with.

- Option 1 is basic cable and basic internet (relatively slow download speeds).
- Option 2 is high-speed Internet only (very fast download speeds).

One of the reasons for having internet service at the apartment is that many of the area employers (including yours) allows employees to work from home under certain circumstances. Internet service is required in order to take advantage of this benefit.

| <b>Cable Choices</b>                  | <b>Description</b>       | <b>Cycle Day</b> | <b>Due Day</b> | <b>Grace Period</b> | <b>Bill Amount</b> | <b>LateFee</b> | <b>Set Top Box Insurance Fee</b> | <b>Billing Frequency</b> |
|---------------------------------------|--------------------------|------------------|----------------|---------------------|--------------------|----------------|----------------------------------|--------------------------|
| Thumbsprain Cable Company (Option #1) | Basic Cable + Internet   | 6                | 10             | 1                   | \$49.50            | \$9.95         | \$0.00                           | Monthly                  |
| Thumbsprain Cable Company (Option #2) | High-Speed Internet Only | 6                | 10             | 1                   | \$53.20            | \$9.95         | \$0.00                           | Monthly                  |

## Minutes4Less

You noticed many of the employees at ProperLiving used their cell phones quite often to communicate and thought that getting a new cell phone was a good idea for the new job. Minutes4Less is the provider with the best coverage in the area and you will need to select one of these two options.

- Option 1 is the Deluxe Plan which includes a specially-priced \$50 SmartPhone, unlimited talk/text, 2 GB shared data, free activation, and 2 year contract. The \$50 one-time charge for the SmartPhone will be assessed on the first bill. Included is a one-year, comprehensive warranty, so if you ever need a new phone, there is a warranty processing charge of \$40, which covers cost of replacing the phone, as well as shipping & handling.
- Option two is the Discounted Premium Plan which includes a free phone and unlimited talk/text. No insurance coverage is provided for the phone. Replacement cost for the phone is \$149.99. Now, for a limited time, all new accounts will have the

normal \$35.00 activation fee waived.

| Name                       | Description                               | Cycle Day | Due Day | Grace Period | Bill Amount | LateFee | Cell Phone Cost | Billing Frequency |
|----------------------------|---|-----------|---------|--------------|-------------|---------|-----------------|-------------------|
| Minutes 4 Less (Option #1) | Deluxe Plan with Special \$50 Smart Phone | 24        | 9       | 1            | \$75.00     | \$9.49  | \$50.00         | Monthly           |
| Minutes 4 Less (Option #2) | Discounted Premium Plan - Plus Free phone | 24        | 9       | 1            | \$54.22     | \$9.49  | \$0.00          | Monthly           |

## Surge Credit Card

Every participant will need a credit card for the simulation, so choose one of the following products. Everyday purchases such as food, gas, clothes, entertainment, household, medical and other personal expenses will be charged to your credit card. An itemized list of charges is updated daily in the credit card account activity page. Pending charges for the upcoming day will be displayed above the activity table. The typical monthly bill is between \$500 and \$750.

This credit card will accept over-drafted debits from Suburban City Bank if Overdraft Protection is included on the selected Suburban City Bank checking account. These debits will only be accepted by the credit card as long as the 'Credit Limit' is not exceeded. ODP transactions will be treated as a 'Cash Advance' and will have the finance rate immediately applied.

Minimum Payment Allowed: Yes, a minimum payment is required to avoid a late fee.

Both cards have a \$2 minimum finance charge.

| Credit Card Choices           | Description        | Cycle Day | Due Day | Grace Period | Minimum Payment | LateFee | Credit Limit | Over Limit Fee | Finance Rate |
|-------------------------------|--------------------|-----------|---------|--------------|-----------------|---------|--------------|----------------|--------------|
| Surge Credit Card (Option #1) | Surge Uranium Card | 5         | 9       | 1            | \$15.00         | \$19.95 | \$1,000.00   | \$19.95        | 21.00 %      |
| Surge Credit Card (Option #2) | Surge Alloy Card   | 5         | 9       | 1            | \$15.00         | \$39.95 | \$1,000.00   | \$39.95        | 14.00 %      |

## Lots-O-Watts Energy

Vista Vue apartments falls within the service area for Lots-O-Watts Energy so in the simulation you will be receiving your gas and electric from this provider. Remember you will be handling this bill by yourself in trade for lower rent. There are two options for utilities from Lots-O-Watts. The first is standard meter-based billing which means you receive a bill for the actual amount of energy used which can vary from month to month. The second option is Budget Billing which is a fixed amount based on the historical usage of a dwelling and adds a management fee of \$2.

Lots-O-Watts checked their files and said the historical usage for 2 and 3 bedroom apartments at Vista Vue (with past tenants) was about the same at \$93.00 per month.



| <b>Gas/Electric Choices</b>     | <b>Description</b>           | <b>Cycle Day</b> | <b>Due Day</b> | <b>Grace Period</b> | <b>Bill Amount</b> | <b>LateFee</b> | <b>Billing Frequency</b> |
|---------------------------------|------------------------------|------------------|----------------|---------------------|--------------------|----------------|--------------------------|
| Lots-O-Watts Energy (Option #1) | Standard Meter-based Billing | 10               | 11             | 2                   | \$93.00            | \$2.00         | Monthly                  |
| Lots-O-Watts Energy (Option #2) | Budget Billing               | 10               | 11             | 2                   | \$95.00            | \$2.00         | Monthly                  |

## *SafePlace Insurance*

In the simulation, you will need to select renters insurance from SafePlace Insurance. Your landlord has an insurance policy that will cover the building, but the landlord's policy will only cover the building and not the contents (your stuff). A renter's insurance policy is designed for the protection of your belongings. SafePlace offers two types of policies: Cash Value Policy and Replacement Cost Policy. You asked your roommates if they were interested in sharing this bill, but they declined as they weren't sure what it was or why they need it. As a result, you will be initiating your own policy that will list only yourself as the insured. The deductible for both policies is \$500.

- Cash Value Policy covers the cost of your belongings at their current value, or if you were to sell them for cash. Example: If you buy a television for \$1,000 and it was stolen 2 years later, the TV would be worth much less (maybe \$500) because electronics depreciate quickly. This policy would reimburse you the cash value of \$500, which can buy a replacement TV, but not one as nice as the one you lost.
- Replacement Cost Policy covers the cost to replace items. Using the above example of a stolen TV, this policy would reimburse you the amount to purchase a similar item, so if the stolen TV was a 55" Smart HDTV, then you will get reimbursed the amount needed to buy a new TV with similar specifications.

| <b>Renter's Insurance Choices</b> | <b>Description</b>      | <b>Cycle Day</b> | <b>Due Day</b> | <b>Grace Period</b> | <b>Bill Amount</b> | <b>LateFee</b> | <b>Billing Frequency</b> | <b>Next Bill Month</b> |
|-----------------------------------|-------------------------|------------------|----------------|---------------------|--------------------|----------------|--------------------------|------------------------|
| SafePlace Insurance (Option #1)   | Cash Value Policy       | 6                | 9              | 1                   | \$195.00           | \$45.00        | Annually                 | October                |
| SafePlace Insurance (Option #2)   | Replacement Cost Policy | 6                | 9              | 1                   | \$250.00           | \$45.00        | Annually                 | October                |

## *Riptide Student Loan*

You currently have a student loan through Riptide Student Loans. The loan amount was for \$25,000 and now that you are out of school, this loan has entered repayment. Interesting facts: Average student loan debt = \$25,000. Interest rate for this Government Subsidized Loan in 2016 = 4.450%. Payment on 10 year/120 month loan = \$258.49 / month. Another interesting fact, you will almost certainly have to pay back the money. Even filing for bankruptcy will likely not remove this debt.

There is no choice of student loans for this vendor option, only an acknowledgement that this loan has entered repayment and you will start receiving bills and having to make payments.

| <b>Student Loan Choices</b>        | <b>Description</b>     | <b>Cycle Day</b> | <b>Due Day</b> | <b>Grace Period</b> | <b>Bill Amount</b> | <b>LateFee</b> | <b>Billing Frequency</b> |
|------------------------------------|------------------------|------------------|----------------|---------------------|--------------------|----------------|--------------------------|
| Riptide Student Loan (Only Option) | Student Loan Repayment | 19               | 8              | 1                   | \$258.49           | \$50.00        | Monthly                  |

**Yes, there is a ton of information here. We suggest organizing the information in the Budget and CashFlow Spreadsheet (CFS) to create a budget. There is also a video that demonstrates how to use the CFS.**