

PERSONAL FINANCIAL STATEMENTS

JOHN SMITH CASE STUDY

John Smith, 27, works as a reference librarian at the City Library. He earns a salary of \$47,000, which John thinks ought to be enough money to live comfortably as a single person with no children. However, he often feels strapped for cash. Since he graduated from college five years ago, he has not worried too much about how he has spent his paychecks. Recently he has seen several articles and advertisements about the wisdom of regularly saving for retirement starting at an early age. How, John wonders, is it possible to save anything when it seems he never has any money left over after paying his bills? John has gathered information about his bank accounts and investments. He has also tracked his expenses for the past few months in order to better understand his own money habits. His assets, liabilities, and average monthly income and expenses are provided below.

ASSETS – December 31, 2005

LIQUID ASSETS				
	LOCATION	BALANCE	RATE OF INTEREST	MATURITY
CHECKING	Bank of America	\$567	N/A	N/A
SAVINGS ACCT.	National Credit Union	\$670	0.50%	N/A
CASH ON HAND	Wallet	\$ 50	N/A	N/A

INVESTMENT ASSETS						
Security	#Shares	Cost			Current Value	
		Date Acquired	Per Share	Total	Per Share	Total
Home Depot Stock HD (ticker)	30	06/15/2000 purchased with graduation gift money	\$56.50	\$ 1,695	\$40.48	\$ 1,214
Royce Total Return Fund RYTRX (ticker)	1,000	09/07/2003 inherited from John's uncle	\$ 9.97	\$ 9,970	\$12.60	\$12,600
City Library Retirement Plan (fully vested) Fidelity Freedom 2040 mutual fund FFFFX (ticker)	1,758	Purchased monthly through payroll deduction, dividends automatically reinvested	Average \$ 7.77	\$13,660	\$ 8.83	\$15,523

Handout page 1 of 3

LIFESTYLE ASSETS				
Asset	Date Acquired	Cost	Replacement Cost	Market Value
2004 Ford Focus	02/14/04	\$13,495	\$14,985	\$9,195
Stereo Equipment	12/25/98	Gift	\$795	\$150
TV	06/01/00	\$79	\$60	\$20
Computer Equipment	01/28/03	\$899	\$749	\$200
Home furnishings	Various dates	Approx. \$4,000	Approx. \$5,000	\$950
Clothing, personal items	Various dates	Approx. \$1,000	Approx. \$1,200	\$200

LIABILITIES – December 31, 2005

LOANS							
To whom owed	Original Amount of loan	Type of loan	Interest Rate	Current Balance	Monthly Payment	Total # pymts	Date of Loan
Ford	\$10,000	Car loan	5.9%	\$6,670	\$193	60	02/04/04
Sallie Mae	\$40,000	Student loan	3.45%	\$19,711	\$395	120	06/10/00

CREDIT CARDS						
Account	Annual Fee	Int. Rate	Max. Line Of Credit	Outstanding balance	Min. monthly payment	
MBNA MasterCard 4897 XXXX XXXX XXXX	\$0	18.9%	\$5,000	\$942	Finance charges plus any late fees, plus 1% of outstanding balance	
Citicorp Visa 4310 XXXX XXXX XXXX	\$0	12.0%	\$5,000	\$1574	Finance charges plus any late fees, plus 1% of outstanding balance	

The combined average minimum payment on John's credit cards is \$61 per month. However, if his new financial plan will allow it, he will pay more than the minimum until the balances are paid in full. John has vowed to not charge any new purchases during 2006.

INCOME AND EXPENSES FOR YEAR ENDED DECEMBER 31, 2005

INCOME		
	Monthly	Annual
Salary	\$2,907 (net after \$585 in federal & state income taxes withheld, \$300 in Social Security & Medicare tax withheld, and \$125 contribution to retirement plan)	\$34,880 (net after \$7,020 in federal & state income taxes withheld, \$3,600 in Social Security & Medicare tax withheld, and \$1,500 contribution to retirement plan)
Interest	\$4.67	\$56

EXPENSES		
	Monthly	Annual
Rent	\$950	\$11,400
Utilities (elec., heat, water)	\$120	\$1,440
Cell phone	\$40	\$480
Cable TV	\$50	\$600
Groceries	\$400	\$4,800
Dining out & entertainment	\$300	\$3,600
Car payment	\$193	\$2,316
Car expenses (gas, repairs, maintenance)	\$100	\$1,200
Car insurance	\$198	\$2,376
Student loan payments	\$395	\$4,740
Credit card payments for past charges (no new charges in 2006)	\$61	\$732
Personal care expenses	\$25	\$300
Household purchases	\$50	\$600
Miscellaneous	\$50	\$600

Handout page 3 of 3