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They want to be ready for a family financially

By Christine Dugas
USA TODAY

Eric, 28 and Valerie, 27, are used to scrimping. They don't use credit cards and limit themselves each to $150 a week to spend on food, entertainment and other out-of-pocket expenses.

"It's so easy to plunk down plastic," Eric says. "We give ourselves a weekly allowance every Sunday. If Friday rolls around, and we have nothing left for the weekend, then too bad. That's been a great way to control what otherwise might be frivolous charges."

The Litwillers know they have to be diligent about saving and budgeting if they are going to meet their goals. They want to raise two children and save for retirement. That will be hard because Valerie plans to stay at home for several years after each child is born.

"I agree with that," Eric says. "But over the three or four years she's at home, I'm afraid our savings would get drained to the point where we could no longer afford to retire comfortably."

Eric is an operations manager for ADT Security, and Valerie works for the same company as a senior biller. Together, they earn about $56,000 a year.

They have been married about two years and own a home in Indianapolis. They have no debt except for a $128,000 mortgage.

Eric is studying for an MBA at night school at Indiana Wesleyan University. He should receive his degree in December.

The Litwillers keep $15,000 in a bank account as an emergency fund. They each put $3,000 a year into a Roth IRA.

And they are each contributing 12% of their salary to their company 401(k) retirement plans.

Even with two incomes, they live on a tight budget. Much of Eric's salary goes to pay for their mortgage. Valerie's salary pays for phone, utilities and other household expenses.

They look for every opportunity to cut corners. They refinanced their mortgage recently and saved $60 a month. By getting rid of one cellphone, they were able to save an additional $30 a month.

Thanks to Eric's parents, they have a nest egg. As a wedding present, his parents gave the couple a 40% stake in a piece of commercial property they owned. When they sold it, Eric and Valerie used their portion of the proceeds to pay off their car loans and increase the equity in their home so they didn't have to pay for private mortgage insurance.

They put the remaining money from the property into several mutual funds from American Funds. The account is now worth about $143,000. They don't want to dip into it to make ends meet.

Though Eric and Valerie share the same goals, their attitudes toward money and investing are different. "He likes to be a little more risky with his choices, and since I've never really invested, I like to be a little more conservative," Valerie says.

And Valerie has had to get used to living on a tight budget. "It's been a big adjustment for me," she says. "I've always balanced my checkbook and watched my money, but I was one to use a credit card more than carry around cash. We've had many discussions about it."

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Objectives:

Students will:

- analyze the financial health of a couple profiled in USA TODAY.
- identify the couple's assets and liabilities.
- decide whether or not the pair's goals are realistic, in light of their financial situation.
- suggest ways that the couple could achieve their goals.

Concepts:

- Personal finance
- Decision making
- Responsibility
- Asset/liability

Preparation:

- Give each student a copy of the article, "They want to be ready for a family financially."
- Divide students into small groups. Ask groups to discuss the questions on the following page and complete the asset/liability activity.

Activity at a glance:

- Grade level: 9-12
- Subject: personal finance
- Estimated time for this activity: 45-60 minutes

Materials:

- Reading: "They want to be ready for a family financially" (one copy per student)
- Copy of discussion questions and activity

They want to be ready for a family financially

Discussion:

What problems do many new couples face when they plan to have a family and are accustomed to two incomes? On what issues do Eric and Valerie Litwiller disagree? How are the Litwillers protecting their financial health? What financial advice would you give the couple? Do you think it will be possible for them to live on one income with a new baby? Why or why not?

Activity:

Simply put, an **asset** is something that helps your financial situation or puts money in your pocket; a **liability** is just the opposite – it is a responsibility or debt that demands a portion of your income. For example, a healthy retirement account, your work experience and good credit are assets. The expenses of having a child could be considered a liability. Review the article, and list the Litwillers' assets and liabilities. (Use the graphic organizer on the following page.)

Now, consider the Litwillers' goals (to have two children and save for retirement) and their current financial situation. In small groups, develop three different scenarios that would allow the couple to achieve their goals and still make ends meet. (These may or may not include Valerie staying at home.) Explain each in writing. Then, decide which of your plans is the most practical, and share it with peers.

Activity extensions:

- Ask your parents if they have an emergency fund that equals three months of gross income. If not, see if you can devise a plan with them to start one.

Additional resources:

- Goodpayer.com offers a handbook entitled "Learn Now or Pay Later" that helps young adults understand the basics of credit and debt. Go to www.goodpayer.com and click on "College Students." You will see the booklet, available in PDF format, at the top of the page.

- *Rich Dad Poor Dad*, by Robert T. Kiyosaki

Assets	Liabilities

Scenario 1:

Scenario 2:

Scenario 3: