

Case Studies

Directions: Write or discuss possible resolutions to the problems presented in the following scenarios. Remember to apply the personal finance knowledge and principles you have learned in this chapter.

- 1 What was the most important piece of information or concept you learned from this lesson? How will you apply it to your life?
- 2 Candace and Mike just inherited \$25,000 from a relative and are really excited about investing it and watching it grow. However, they still have \$10,000 worth of credit card debt to pay off. If you were to give them financial advice, what would it be?
- 3 Laurel is a high school student who is taking a class in personal finance. She has learned about the dangers of debt and that debt should not be used as a financial tool. She recently went with her mom to open up her first checking account at the bank. The man at the bank told them that Laurel should consider getting a credit card to cover overdrafts and to help her build credit. Laurel has already decided that she does not want to use credit cards. Since she has seen her parents struggle with debt, she prefers to live debt free. Her mom somewhat agrees with the banker since the use of credit has been a normal part of her and Laurel's dad's finances. What can Laurel say that would politely convey to her mom that she is making the choice to remain debt-free?
- 4 Brittany is a high school junior who worries about her money habits. Her parents have always worked hard, but they've never had enough money to buy her trendy clothes. Brittany recently landed a job at a clothing store in the mall. Now that she has her own money, all she wants to do is buy clothes. It's hard to resist spending her entire paycheck on all the latest styles she sees coming into the store. She's even begun setting aside the clothes she wants to buy prior to getting paid—in a sense, spending her paycheck before she even gets it. Brittany feels guilty about spending all of her money, but she definitely seems to be more comfortable with spending than saving. What advice would you give her to change her spending behavior?
- 5 Derek is a high school student who is currently taking a course in personal finance. He knows that he should be managing his money from his part-time job better. He has learned about saving and budgeting, but he continues to spend all of his money on his car and going out with friends. He knows that someday he'll have to be more responsible, but right now he thinks he should just enjoy being a carefree teenager. Why is it important for Derek to manage his money well now instead of waiting until he's older?