Name: _____   **Due Date:** _____

BACKGROUND
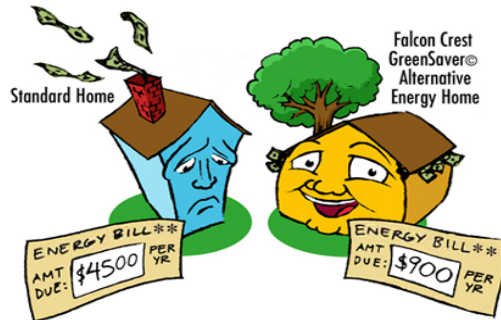
Ima Hugger married Lefty Tree three years ago, and have a two-year-old daughter, Sunshine. Lefty is the manager of a large department store and earns $60 000 gross, per year. Ima quit working when the baby was born so she could be a full time mother. They have been living in an apartment for the last three years, and needed more space for their growing family. They recently had their eye on, and purchased a century old three-bedroom home in Green Valley previously owned by Ethel and Sparky Petro.

The Tree-Hugger's are really excited about their new century old three-bedroom house.   Although they like their house, they are concerned about the high costs of water, heat and hydro. They think it might be better to update some features on their home such as new windows, a new furnace, a new roof, and energyStar appliances, however, they are worried that the initial costs of purchasing the new features might be too much.

ANALYSIS

You are asked to analyze the Tree-Hugger's financial situation and help them with some planning to help them achieve their personal financial goals, as well as help them to decide if they should update their house.

Remember to label all numbers and to include "$" where appropriate.

1. **What is Lefty's monthly gross pay?** _____

2. **Calculate the 3 standard deductions (in the box) he must pay per month.**

    EI/month = $_____

    CPP/month = $_____

    Income Tax/month = $_____

☆ **EI is 2% of gross monthly income**
☆ **CPP is 5% of gross monthly income**
☆ **Income Tax per year:** <$10,000 pays ZERO tax
$10,000 - $40,000 pay 20% tax: _____
$40,000 - $60,000 pay 30% tax: _____
Total Income Tax for the year: _____
Total Income Tax/ month: _____

3. **Expenses:** The Tree-Hugger's have calculated their current average monthly expenses as shown in the table below.

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Lease on car	350	Car maintenance and gas	100	Car Insurance	200
Internet connection	45	Mortgage Payment	850	Clothing	100
Cell phones	100	Groceries	400	Personal items	20
Gifts	50	Charitable/ Church Donations	50	Spending money	25
Cable	40	Property Insurance	50	Hydro	200
Water	50	Heat	200	Baby's college fund	?
Savings for house improvements	?	General savings	?	Entertainment	?

4. **What do they need to save each month so that they can have money for their daughter's college fund?** They want to have $18 000 saved up in 15 years. Calculate how much they must save each month to reach this goal:

5. **What do they need to save each month so that they can pay for house improvements?** They want to have $18 000 saved up in 5 years. Calculate how much they must save each month to reach this goal:

6. **FILL OUT THE BUDGET SHEET ON THE <u>NEXT PAGE</u> with all the information you know.**

   You will need to calculate "Total Deductions", "Take-home Pay", "Total Expenses", and "Take Home Pay – Total Expenses"

7. **Divide up the remaining money into General Savings and Entertainment**
   a) **General Savings? _____**
   b) **Entertainment? _____**

8. **Explain your reasoning (and include these numbers on the budget sheet):**