

Wrap-up:

Call five minutes remaining.

Call time.

Everyone please return to your seats. At this time, I would like to introduce each volunteer and ask them to share the most common things they heard and saw.

Go around the room so that each volunteer can share their observations and advice to students on better selections.

Would any student like to share an ah-ha moment? Most often several students will share.

Today’s activity was to put you in the shoes you will be wearing very soon. Often parents and families have made choices for you and covered the cost to provide a certain lifestyle but now, one day, the tables may turn. If you could take this exercise again, knowing what you know now, do you think you would make different choices? What would you say the most difficult decision was?

After you graduate, you will have expenses you didn’t have before. Student loan payments are one example. The goal of higher education is to graduate and to find a job you enjoy, and to make the salary you expected for an entry-level position. If you have federal student loans, you will have a six-month

grace period before your first payment becomes due. However, instead of the grace period being a positive thing, this often causes hardships on new graduates. You most likely will be looking for new housing, transportation and other basic living situations. But more times than not, the cost may be as much as your first job’s income. By the time your first student loan payment becomes due, your budget may be maxed out. Where will you find the funds needed to make your student loan payment? If you buy a new car, do you have money for the title, insurance and maintenance? If you want an upscale apartment do you have to pay a monthly fee for a parking space for your new car? Do you even need a car?

Hopefully as you leave the exercise today, you will think about the little decisions you can make today to make your life tomorrow a little easier. You’ve heard it before, but let me say it one more time—you can either live like a student when you’re in college or live like a student when you’re a professional. You probably don’t want to revert back to the Ramen noodle days of living like a college student when you’re 28.

We appreciate your time today. We encourage you to take time today to create your own personal budget while this activity is fresh in your mind. Use your budget and constantly tweak and review until you finish your degree. By doing this, you may find yourself making little decisions today that will help you enjoy your new professional world in the near future.

About ECMC

Educational Credit Management Corporation (ECMC) is a nonprofit corporation with a mission to help students succeed. ECMC works to lower student loan default rates; sponsors college access and success initiatives, and financial literacy programs; and provides resources to support student loan borrowers to successfully repay their loans. For more information, go to www.ecmc.org. You enjoy your new professional world in the near future.

ECMC’s Financial Awareness Basics

The Financial Awareness Basics (FAB) series provides basic information, tips, and tools to help you make informed financial decisions and take control of your finances. Our FAB flyers cover the five building blocks identified by the Federal Financial Literacy and Education Commission to help you manage and grow your money. For more information, go to www.ecmc.org/FAB.

Facilitator Notes



FAB LIFE OVERVIEW

About:

FAB Life is a financial literacy simulation intended to teach students basic financial education concepts in an interactive way.

Intended audience:

First year college students, and high school juniors and seniors

Ideal time to complete:

1½ -2 hours

Volunteers needed:

Ideally, 20 volunteers would be perfect. Alternatively, by housing more than one category at a station, the simulation could be held successfully with as few as 10 volunteers.

Experience needed:

No experience is necessary. Simple instructions are included in each category packet. Volunteers should read assigned category instructions prior to the start of the event.

Supplies needed:

Supplies in the kit include: instruction packets, scenario handouts and shopping sheets for each category. The school may choose to have calculators available at each of the stations. Students should bring pen/pencils.

Ideal ways to incorporate on campus:

- Part of new student orientation
- Activity for financial literacy month
- Personal finance class activity

INSTRUCTIONS

The simulation is set up so there are 14 stations around a room—one for each category that the students will need to “buy”—housing, insurance, phone, clothing, etc. The stations are manned by school and campus volunteers. Each station receives their envelope with basic information for the assigned category along with the spending levels for that product/service with corresponding costs.

Students enter the room and are given instructions that they are to imagine themselves at age 28. They are given a budget template that includes their life scenario (married/single, kids/no kids, occupation, education completed, net and gross salary, etc.) They are instructed to live within their means as they use their salary to “buy” various services. The budget worksheet allows for each expense to be recorded and subtracted from their net income. The students visit the stations and are encouraged to think outside the box in order to afford the lifestyle they’ve been handed; however, at the end of the simulation, they must have a balanced budget.

Students may first find the simulation easy, but before all categories are visited their monthly income may be running short. They may need to visit a station that offers supplemental income or revisit categories to select different options. Additionally, the crystal ball station offers more than 40 various reality options that may cost money or provide extra cash when least expected. These reality options include things such as having a flat tire, getting a speeding ticket, receiving a cash birthday gift or receiving a large bonus from work. If after visiting each station and trying other options, they do not have a balanced budget, then they will have an opportunity to visit the S.O.S. station to review their budget with a volunteer who will offer guidance as to how to balance their budget.

Once all students have visited the stations, the volunteer leader recaps the highlights and asks the students to talk about the most challenging moments along with sharing lessons learned. No two students will make the same choices. The recap will bring all the pieces together and the students most likely will have an ah-ha moment as to situations they have witnessed in real life that will transform the simulation into reality.

FOR REPLACEMENT GAME PIECES GO TO:
<https://www.ecmc.org/schools/FAB-Life-game-pieces-downloads.html>



WELCOME AND INTRODUCTION SPEAKER NOTES:

Good morning and welcome to the ABC University FAB Life experience. Today's event is being sponsored by your school and ECMC. Let me be the first to welcome you to FAB Life. Picture this: you have finished college and you are 28 years old. You are excited to be out on your own—in the real world of life and controlling your own destiny. In just a moment you will receive your life scenario.

Please don't try to compare with your friends or neighbors. By now, you have realized your scenarios have taken you to very different worlds. Please do not read your scenario until I tell you to begin. Now, look around the room. You will notice there are various stations hosting different decisions you must make. Where will you live? What will you drive? What will you eat? How much will your student loan payment be? And, how on earth will you pay for everything? Now, through our teenage years we've all said it, "I can't wait until I'm out on my own." Congratulations! Now you are. You hold your future in the palm of your hand and the decisions you make today will be reflected in the type of life you will be able to live from now through retirement.

Now, open your scenario. Under the "bio" section you should see your occupation, education level and annual income, or GROSS. That means total salary but before anything comes out, such as insurance or taxes. Your income after these items have been taken out—the money you can actually spend—is called NET income. Whether you like it or not, Uncle Sam is always paid first. Transfer your GROSS income amount on line one and taxes paid on line two of your expense tracker or budget sheet.

Well, I can see you can hardly wait, so I will call time five minutes before you must have a balanced budget for your life scenario. If you are running low on cash you may need to revisit some stations to make different selections or look into supplemental income to help balance your budget. Also, because life happens—good things and bad things—stop by the crystal ball station to see what's in store for you. Supplemental income and S.O.S. are the only two stations that are optional, but remember they are there if needed. All other stations are required. You have until x:xx a.m. to visit all stations. Let's go and remember to make informed money decisions.

Category instructions:



Transportation

Employers expect their employees to have reliable transportation. That could mean purchasing a new or used car, using public transportation or ride-share services. Remember other costs may be incurred when owning your own car.



Child care

All children up to the age of 12 must have arranged child care. Let's take a look at what you can expect to pay. Child care is based upon net income and number of children.



Communication

Once considered a luxury, cell phones and internet are now considered a need. It's important to shop and read the fine print for best savings and review plans often for new or reduced pricing.



Entertainment

When you are putting together your budget, entertainment will fall into the "wants" category. This just means that while you don't need money for entertainment to actually survive, it's a good thing to budget for. Everyone needs some amount of money available to spend on things like movies, eating out and a weekend escape.



Housing

When thinking about how much you can afford, it's important to keep in mind not only the rent or mortgage payments but also all the other costs of running a household. These expenses include taxes, insurance, utilities, household operations, home furnishings, household maintenance and repairs, yard and garden supplies, and expenses related to remodeling or home improvements.



S.O.S.

HELP! Still can't balance your budget? Let's see if we can help! Did you purchase a home or rent an apartment that's more expensive than you can afford? Revisit this station. Did you buy high-end clothing, furniture, or a car? It may be time to step back and select a different option. At the end of the day, an emergency fund can help you deal with life's unexpected events. Not only do you need a balanced budget but you also need an emergency fund.



Utilities (electric, water, sewer, trash)

There's probably a long list of utilities you use each month, but not every one of them is essential. As far as what you need to live comfortably, you're basically looking at power (electricity/gas), trash pick-up, water and sewer.



Auto Insurance

Along with purchasing health insurance to minimize risk that could lead to major losses, purchasing car insurance is not only the law in most states, it's just good practice to ensure protection in the event of loss or damage.



Banking

Bank accounts are not just for those with a fortune to stash money away. Almost anyone can and should open an account with a bank or local credit union. The only requirement for opening an account is proof of identity (such as a driver's license, passport or state-issued ID card).



Clothing

The shopping sheet for clothing is based upon a per person, per month amount. Based on the family size, ages and gender of children, review the household income, select the amount from the level of clothing store and calculate the total monthly amount. Remind students to add in additional charges for speciality clothing. Examples include: clothing for infants and uniforms when required by employers.



Crystal Ball

In the real world, life happens, and often when you least expect it and when you are the least prepared. Everyone is required to visit the Crystal Ball category and select one card and it could be their "LUCKY"

day or it could be a tragedy, just like the real world. Use this category as an opportunity for students to reflect on their lives. They may remember when the economy crashed in 2008 one of their parents may have lost a job or they may know someone that lost their homes. In the end...life happens....often.



Donations

As a working professional, most feel an urge to pay it forward or to give back. Students will select their income bracket and the charitable causes they would like to donate to on a monthly basis. Remember, often donations are tax deductible when filing annual income tax returns.



Furniture

Every household needs furniture but the type, category and price range are up to personal taste. It may also depend on how the purchase is made—either paid in full at the time of purchase or paid on a monthly payment plan with interest.

Keep in mind: Children need furniture or you will be turned in to child protective services for not providing an adequate home for your family. If you choose not to provide for your family, your children will be taken away and you will be required to pay child support.



Groceries

Budgeting for food costs will help you keep your overall budget where you want it to be. There can be lots of wiggle room there, even if you don't see it right now. Stores vary in their grocery prices. Diets can range from filet mignon to beans and rice. Eating at home is much cheaper than dining out. There are plenty of things you can do to create a food budget that works. Of course, every household is different. If you are a single person, your grocery budget will vary considerably from that of someone who is married with four children.



Health Insurance

What is the purpose of insurance? Let's face it, none of us can predict the future and, therefore, it's difficult to plan for illnesses, emergencies, and even preventative maintenance on our bodies. You may not see the value of having insurance now but as your lives start to change—graduating college, purchasing your first vehicle, getting married, and starting your family—you will begin to understand why it's important to protect yourself and your family. Just one major life event can take your once prosperous lifestyle and turn it into financial ruin. Not having insurance means taking a gamble and hoping that things will work out for the best. Plus, it's the law!



Personal Care

One of the largest and often overlooked budget categories is personal care. Individually, these items are typically small in the grand scheme of our monthly budgets but added together they can represent a major expense. If you have a family to support, personal care costs could be quite expensive. Salons, hair care products, personal hygiene and laundry supplies, shoes and shoe repair, clothing and dry cleaning are among items that go into this category.



Homeowners or Renters Insurance

The primary reason one needs homeowners insurance is to replace the home in the event of a fire, flood, or natural disaster. Also, if there are valuables inside the home, including furnishings, these items would be difficult to replace without insurance. Another good reason to have homeowners insurance is to protect yourself and your family against potential lawsuits. If anyone is injured on your property you can be held responsible. And last but not least, if for no other reason, it is important to have homeowners insurance for piece of mind. You are protected.

Renters insurance is somewhat different. College students and young adults often choose to forgo renters insurance. Generally it is very affordable. If you rent an apartment or even a bedroom, the landlord's insurance will not cover you or your property. It's wise to purchase renters insurance.



Retirement

Retirement accounts vary by personal financial philosophy. It's so easy to become a millionaire and often young adults choose not to invest because they believe there will be plenty of time. In reality, if a person deposits \$2,000 per year in an investment fund from ages 19-26 and never touches the fund again, the balance at age 65, including compound interest, will be more than \$2.2 million. Start early—it's never too early.



Student Loans

Student loans were taken out to pay for the college education and most often no payments were made while the student was in school. If the loan was subsidized the government pay the interest while the student was in school if it was borrowed while seeking a first bachelor's degree. If the loan was borrowed was subsidized while working on a second bachelors, working on masters or doctoral degrees the interest was not paid while student was in school by the government and if the loan was unsubsidized the interest was not paid by the government at any time.

For simplicity in this simulation, student loan payments are set using a standard repayment plan: 10 years of equal monthly payments. In reality, there are a variety of student loan repayment plans borrowers have the option of choosing.



Supplemental Income

Sometimes, no matter how hard you try, the budget just doesn't balance. When this happens and you've minimized every expense possible, your only option is to increase your income. If you have a spouse and he/she is not working and schedules allow, consider a part-time job. Other options include: hosting a yard sale, getting community assistance or asking your boss for overtime.