

Developments in Business Simulation and Experiential Learning, Volume 29, 2002
FINANCIAL PLAN FOR YOUR LIFE AND CAREER GOALS

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ABSTRACT

This experiential interactive session focuses on facilitating the creation of financial plans that depict likely revenues and expenses during the first year of students' future jobs. The learning objectives of this exercise are for students to research their desired careers, think about the fit between their intended careers and their desired lifestyles, as well as begin a discipline of financial self-control and investment.

SESSION OBJECTIVES AND OUTCOMES

Undergraduate students often ask for information or activities that reflect the "real world" (Krueger, 1998). The "real world" meaning the work world that they will enter upon graduation. Anecdotal evidence suggests that some undergraduate students are unaware of accurate starting salary and compensation information, which diminishes their chances of successful negotiations with potential employers (Krueger, 1998). The learning objectives of the session are to learn the importance of financial planning and

budgeting, determine likely revenues and expenses for the first year out of college and to identify career positions of interests. Students can use this information to explore how much jobs of interest fit their income objectives, develop working knowledge of expenses that accompany professional life, and enhance their financial practices.

Students will use general financial templates to build their financial plans (see Table 1). As a way of determining revenues, students will research starting salaries for specific positions and locations that interest them. Resources for retrieving this information include Salary.Com, the career resource center at their university and career interviews with professionals in those functional areas. Students will also create expense estimates associated with their lifestyles. While students will use general financial templates for revenues and expenses, they will create additional categories that fit their particular situations. Some students perhaps have childcare or eldercare responsibilities, others may desire to save money to launch an entrepreneurial venture, yet others may want to purchase a computer.

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Table 1: Financial Plan Template

Name: Revenues	Position: \$Year	City: \$ Month	Expenses	\$ Year	\$ Month
Job ¹			Rent/Mortgage ²		
Investments			Utilities		
Entrepreneurial			Phone		
Inheritance/Trust			Food		
Legal Settlement			Dry Clean		
			Gas		
Subtotal Revenues			Car Payment ³		
			Car Insurance ⁴		
			Entertainment		
			Music		
			Gifts		
			Travel		
			Credit cards		
			Student loans		
			Clothes		
			Federal Taxes ⁵		
Total Revenues			Total Expenses		
			Net Income =		

1. Get job description and salary range from salary.com or the career center.
2. Look for rent/mortgage from homestore.com or a similar site. Include location, # of bedrooms, rent/mortgage amount and downpayment).
3. Obtain car payment from kbb.com or a similar site. Include model, year, loan amount and length, interest rate and finally the car payment.
4. Car insurance from kbb.com or a similar site. Include make, model, year, and finally the insurance quote.
5. If your total revenues are in the 20,000's, use a 10% tax rate; 30,000's – 60,000's apply a 15% tax rate; 70,000's – 90,000's assume a 20% tax rate.

Students will subtract revenues minus expenses to determine net income and use this number as a basis for responding to many of the individual reflection questions. These questions ask them to explain their net income, savings capability and career interests (see Table 2). Once the assignment is due, they team up with a trusted student in class to pair share responses to the reflection questions. The object of partnering is sharing strategies on how to enhance

revenues or reduce expenses. Examples of learnings include the discovery of innovative ideas for making additional money or recognition that they may need a roommate to reduce expenses. At this point there is a class debrief on lessons learned from finishing the plans, answering the reflection questions, and reading the career management and work-life balance modules.

Table 2: Individual Reflection Questions

1. Based on the job description, is this career still of interest to you? Explain.
2. To what extent did the amount for *rent/mortgage* and the associated *deposit/downpayment* surprise you? Explain. How did you come up with the deposit/downpayment?
3. To what extent did the amount for *car payment* and the *downpayment* surprise you? Explain. How did you come up with the downpayment?
4. To what extent did the amount for *car insurance* surprise you? Explain.
5. To what extent did the amount for *taxes* surprise you? Explain.
6. If you have *positive* net income, explain your estimates for clothes, travel, entertainment, food and gifts.
7. If you have *negative* net income, what specific revenue and/or expense adjustments would you need to make to have a positive net income?
8. What specific adjustments would you need to make to revenue and/or expense categories for starting a “rainy day fund”, (i.e., short term savings equal to 2 months of expenses)?
9. What specific adjustments would you need to make to revenue and/or expense categories for saving 10% of your annual salary for retirement, (i.e., long term savings)?
10. What were the two most important learnings from this exercise?

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TARGET AUDIENCE

The target audience includes students who have little professional work experience or students who need to develop life skills such as budgeting.

TIME NEEDED

The instructor takes 15-20 minutes to introduce the activity, pass out financial templates and facilitate student generation of initial estimates. There is usually at least a two-week gap between the initial announcement and due date of the assignment for students to develop more accurate estimates, interview career professionals and answer the individual reflection questions. The pair share that occurs after the completed plans takes about 5-10 minutes and the class debrief of lessons learned lasts about 20-25 minutes. Given the time parameters of the conference format, the instructor will spend 5-10 minutes facilitating the introduction of the activity. Participants will spend 15-20 minutes generating categories, estimates and sharing their plans. The instructor will take 20-25 minutes presenting and discussing two completed financial plans, as well as facilitating a question and answer session to close the activity.

THEORETICAL FOUNDING/ RELEVANT CONSTRUCTS

This exercise accompanies career management and work-life balance modules. Career management includes the activities associated with choosing an evolving sequence of work experiences in a particular functional area, position or company (Greenberg & Baron, 2000). Work-life balance has as its' goal enhancing employee retention and satisfaction by balancing work, family, personal and community responsibilities (Robbins & Coulter, 2000). People's conceptions of work-life balance will vary based on the weight they place on meeting or exceeding work expectations, career goals, family status, personal interests and community involvement. After reading these topics, students will have a context for understanding the link between their desired careers, as well as life and career goals and responsibilities.

PEDAGOGICAL IMPLICATIONS

This activity experientially addresses the transition from college student to professional worker by developing plans that incorporate their personal, professional and lifestyle revenues, as well as expenses. Additionally, it involves self-reflection, interaction with trusted classmates and working professionals to explore these issues.

FACILITATOR NOTES AND DISCUSSION POINTS

It is important that the facilitator emphasizes the financial templates as "starting points". Be sure to invite students to originate new categories that fit their specific situations. A way for the facilitator to role model the creation of extra categories is to display a sample plan that includes customized categories such as part-time job, fitness or religious tithing. Additionally, encourage them to contact their parents, working professionals or older friends to generate additional categories or accurate monetary estimates. Stress to students that they are graded on the realism of their plans and articulation of the individual reflection questions, not their net income. Encourage contemplation of the financial plans by periodically providing small amounts of class time to reflect and write responses to a few of the individual reflection questions.

REFERENCES

- Greenberg, J., & Baron, R. A. (2000). Behavior in Organizations (7th edition). Upper Saddle River, NJ: Prentice Hall, Inc.
- Krueger, B. D. (1998). College grad job hunter (4th edition). Holbrook, MA: Adams Media Corporation.
- Robbins, S. P., & Coulter, M. (2000). Management (7th edition). Upper Saddle River, NJ: Prentice Hall, Inc.