

Couples Case Study

Johnny is 25 years old and is married with 1 child. He just started a new job where he earns \$36,000 a year and nets \$30,000 (or \$2500/month). His company's 401k matches up to 3% of his salary. He already has \$1,000 saved and currently saves 10% of his income. His main goals are (in order of priorities) are establish an emergency fund, house savings, retirement, and children's education.

Calculate Johnny's savings, rates, and amounts in the next 20 years.

Answers:

Goal 1 = \$ 7,500 Emergency Savings. 5 yrs.

* \$100/month @ 3% = \$6560, add 1k saved = \$7560.

Goal 2 = \$10,000 House Savings. 7 yrs.

* \$100/month @ 4%, 7 yrs = \$9857.

Goal 3 = \$1 Million Retirement Savings. 40yrs.

* \$87 + \$87match=\$174/mo @10% = \$1,016,547.

Goal 4 = \$65,000 Education Savings. 18 yrs.

* \$13/month, 18 yrs @ 10% = \$7,825.

* \$100/month, 13 yrs @ 10% = \$32,370.

* \$100/month, 11 yrs @ 10% = \$24,461.

\$64,651.

*Lots of assumptions here--including rates of return. Be careful in applying to your situation.