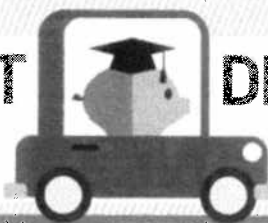


# TEST



# DRIVE: RULES OF THE ROAD

## Next stop?

- Creating student accounts on: [hrblock.budgetchallenge.com](http://hrblock.budgetchallenge.com) and complete vendor selections.

- Teachers may use the Pit Stop and Test Drive for "Are you Ready to Launch?" and Video #2-Student registration to guide students through this process.

- Teachers must provide students the appropriate class code in order to register.



## Turn-by-Turn Navigation

1. As a class, watch Video #1: What is Budget Challenge?
2. Read the simulation scenario below.
3. Discuss the do's and don'ts of the competition.

## H&R Block Budget Challenge Simulation Scenario

Welcome to the H&R Block Budget Challenge! We are excited to have you join us on this one-of-a-kind course where students manage a typical adult budget. Imagine if you were learning to drive and never had a chance to get behind the wheel. Without any hands-on practice, the consequences could be devastating. That's why we created Budget Challenge - the Road Test for Personal Finance, to give students a chance to manage money in a safe environment (no real money and no credit damage).

Through the generosity of H&R Block, U.S. high school students can participate in this course for free and compete for \$3 million dollars in college scholarships and classroom grants. Yes, you read that correctly! So now that we have your attention, let's get started. We'll be using these short in-class activities called Test Drives to help extend the learning throughout the simulation.

During the H&R Block Budget Challenge, students manage income, pay bills, save for retirement and even handle some of life's unexpected curveballs. Everyone participating in the Challenge is in the same scenario - a single, recent college graduate who has been working for at least six months. Since it is a competition, the scenario is the same for all participants in each round of the simulation. That means the same gross pay, same unexpected events and same bill timeline. Students will learn about budgeting, cash flow management and, most importantly, developing good habits to manage personal finances in today's world.

In this simulation, students 'do' many of the real tasks associated with personal money management. Routine bill notifications and other notifications are emailed. The student is responsible for paying bills with virtual funds direct-deposited into a faux online bank account. To keep things interesting, students encounter real-world challenges such as unexpected events, overdraft fees, minimum balance fees and much more.

In order to participate in the competition, students must complete all budget categories in the vendor selections tabs by 9 p.m. local time on the simulation start date. Class-ranking and score are determined based on individual performance, earning points for saving, paying bills on time, avoiding fees and other life skills.

## Student Do's and Don'ts



1. Do not share your login information with anyone. Pick a username and password you can remember.

2. You may discuss the scenario with other students, parents and teachers. Have meaningful conversations about personal finance. However, the work you submit in this competition must be your own. Working in teams may disqualify your individual entry.

3. Pay bills on time. Be aware that you lose points every time you incur a fee and some fees have additional penalties on the score. For example, late fees, over credit limit fees and lack of insurance coverage result in point deductions beyond the regular fees.

4. Mistakes are OK. They may cost you points in this simulation, but better here than in the real world.

5. If you do not understand, ask questions. There are Frequently Asked Questions (FAQs) at the bottom of the Student Home→Help Desk screen. If you don't find the answer, submit the form with your question. A customer service representative will respond to you within one business day (closed during the weekends) and copy your teacher. Please keep your emails professional and courteous.

6. Have fun and learn a lot!

Road Trip Necessities: This handout | Video#1 What is Budget Challenge ?



**H&R BLOCK**  
BUDGET CHALLENGE

WEEK: TEACHER BUCKLE UP

# TEST



# DRIVE: SCORING

## Test Drive Overview

In the H&R Block Budget Challenge, students receive a leaderboard score nightly as they compete for scholarships and classroom grants. This Test Drive will cover the basics of the Leaderboard Score, Engagement Score, and Real World Ready Score. (Please refer to the Official Contest Rules and Program Overview at the bottom of the Home page for more details.)

## Turn-by-Turn Navigation

1. The H&R Block Budget Challenge offers scholarship prizeing for students.
  - The top 22 scoring eligible students in each round will win \$20,000 scholarships.
  - The top eligible student across all six rounds will win a \$100,000 scholarship.
2. Students will be evaluated using the following metrics:
  - **Leaderboard Score = Savings – (Fees and Penalties) + (Quizzes and Surveys).**
  - **Engagement Score = Logging in regularly x Paying bills on time x Taking weekly quizzes/surveys.**
  - **Real World Ready Score = % achievements against targets for Behavior, Knowledge, and Skill.**
3. There are three ways to earn points on the Leaderboard score.
  - Students earn 1 point for every dollar saved in their 401(k), including any employer match.
  - Students earn 1 point per dollar earned in interest on the checking account and 401(k) account.
  - Points may be earned through submitting correct answers on quizzes or answering surveys in full (including open ended questions).
4. Points can be lost on the Leaderboard score for any of the following:
  - The leaderboard score will be decreased by 1 point per dollar in fees when a student incurs a fee.
  - A 150 point late fee penalty is incurred if a late fee is triggered on any vendor. This impacts the score, but NOT the vendor account balance.
  - Additional daily late fee penalties are incurred on the score for each day a bill remains outstanding. These daily penalties vary by vendor. The credit card balance will be monitored for utilization % of the credit limit. Your goal is to keep the utilization below 50% in order to avoid this penalty.
    - i. From 50% - 74.99%, the penalty is 5 points per day.
    - ii. From 75% - 89.99%, the penalty is 15 points per day.
    - iii. From 90% - 99.99%, the penalty is 25 points per day.
    - iv. 100% or higher, the penalty is 100 points per day.
  - Additional penalties may be assessed for irresponsible play. For example, there is a 1,000 point penalty for getting caught driving uninsured.
5. A one-time courtesy late fee waiver is available during the simulation to each student along with a return of 75 of the initial 150 points assessed as a result of the late payment. All other fee waiver requests will be declined. Invoices must be paid in full including all fees (not pending) before the waiver can be issued. Once your bill has been paid, contact the vendor using the form at Student Home>Help-Desk to request the one-time waiver.

Road Trip Necessities: Test Drive Only



**H&R BLOCK**  
BUDGET CHALLENGE

WEEK: TEACHER BUCKLE UP

# DON'T BE THAT GIRL WHO USES MONEY LINGO WITHOUT UNDERSTANDING IT

## A GLOSSARY OF TERMS

**Adjustable Rate Mortgage**

**(ARM):** Mortgage that has fluctuating principal and interest payments (similar to a variable interest rate loan). ARMs often begin as fixed mortgages and, after a certain number of years, shift into adjustable rates.

**Auto Insurance:** A type of insurance used by vehicle owners to cover costs associated with car accidents.

**Budget:** A chart that documents how much money an individual earns and spends.

**Cash Flow:** The relationship between income and expenses in a budget. For example, if you spend more money than you have coming in, you have negative cash flow.

**Certificate of Deposit:** A savings vehicle offered through banks with a set maturity date. For example, if you put \$5,000 into a five-year CD, you cannot withdraw the money until the five-year maturity date without facing penalties. However, interest rates are usually higher in CDs than traditional savings accounts, making them desirable for longer-term savings.

**City Income Tax:** Money collected by some city governments to be used for city public services, such as sidewalks and city water systems.

**Credit:** The ability to purchase goods or services with the promise to pay for it at a later time.

**Credit Score:** A number ranging from 300 to 850 representing a person's credit history. A credit score is calculated based on 10% credit in use, 10% new credit, 15% credit history, 30% amounts owed and 35% payment history.

**Creditworthiness:** Demonstrating trust in repayment of borrowed money.

**Credit Card:** A plastic card that allows an individual to make a purchase on credit.

**Debit Card:** A plastic card that allows an individual to make a purchase using funds from his or her bank account(s).

**Deductions:** Money withheld from a paycheck for tax or savings purposes.

**Expenses:** Money spent on items and bills.

**Federal Income Tax:** Money collected by the federal government to be used for a variety of national public services, such as the military, national parks and monuments.

**Fixed:** Income and expenses that are the same each month.

**Fixed Interest Rate Loan:** Interest payment that remains constant for the duration of the loan. For example, if you have a fixed interest rate loan at 5%, you will pay the consistent amount of 5% on the money you borrowed until it is fully paid back.

**Fixed Rate Mortgage:** A mortgage where the principal and interest payments remain constant throughout the entire duration of the loan.

**Flexible:** Income and expenses that vary each month.

**Gross Income:** Total pay before deductions.

**Health Insurance:** A type of insurance that minimizes financial risk related to medical expenses. Many employers offer health insurance as part of a benefits package to employees.

**Homeowners Insurance:** Protects a home by providing coverage in the event of damage or loss to the house itself or personal belongings inside due to theft, fire, accidents, etc.

**Income:** Money earned through employment.

**Individual Retirement Account:** An investment tool for individuals to save for retirement. There are two different types of IRAs for individuals: Traditional and Roth.

**Interest:** Additional fee paid on a monthly basis to the lender.

**Lender:** Person or institution that provides you with the loan (e.g., bank, family member, etc.).

**Loan:** Amount of money you borrow, which must be paid back to the lender within a given period of time.

**Life Insurance:** A type of insurance that protects against the loss of income as a result of an individual's death.

**Medicare Tax:** Money collected by the federal government to provide health insurance benefits in retirement, and to certain individuals with disabilities or serious illnesses.

**Mortgage:** Loan used to purchase a home, condo, or piece of property. It includes principal and interest payments. Principal payments go toward reducing the cost of the original loan, and interest payments cover the additional fee incurred for borrowing the principal amount.

**Mutual Funds:** An investment vehicle that pools investor money to purchase securities like bonds and stocks.

**Net Income:** Total pay after deductions, commonly referred to as take-home pay.

**Paycheck:** A check given to an employee for earned income.

**Paystub:** A statement that accompanies a paycheck highlighting earned income and deductions.

**Pay Period:** The range of dates an employee works.

**Principal:** Amount of money you pay on a monthly basis toward paying off your loan.

**Private Mortgage Insurance (PMI):** A type of insurance used to protect lenders if a borrower puts less than 20% down on a home purchase.

**Savings:** A traditional savings account where money is

deposited directly from gross pay. A direct-to-savings deduction is optional, but many people find it helpful because it ensures a set portion of each paycheck is set aside for savings.

**Savings Account:** A secure bank account that provides modest interest rates.

**Social Security Tax:** Money collected by the federal government to provide financial benefits needed in retirement and for the disabled.

**State Income Tax:** Money collected by some state governments to be used for state public services, such as education and state road maintenance.

**Variable Interest Rate Loan:** Interest payment that varies based on market interest rates. Depending on the type of loan (e.g., student loan, mortgage, etc.), the interest rate is tied to a specific index, which fluctuates up and down on a regular basis.

**W-2:** A year-end earnings statement prepared by employers showing total earnings and deductions withheld from an employee's salary for one year. Employers provide this statement to employees who then use it to complete their tax returns.

**W-4:** A withholding tax form completed by a new employee that tells the employer the amount of taxes to withhold from an individual's paycheck. An employee provides this statement to an employer. It is not used to prepare a tax return.

**401(k):** A type of retirement savings account where money is deposited directly by an employer and is not federally taxed until withdrawn in retirement. Individuals can choose how much to invest in a 401(k) and, as a benefit, some employers offer to match the amount of money employees contribute.



# DON'T BE THAT GIRL...



(OR THAT GUY) WHO MAKES HER ROOMMATES PAY FOR HER MAKEUP!



## FLEXIBLE

refers to the income and expenses that VARY each month (like irregular income or how much you spend on food).

## FIXED

refers to the income and expenses that you can count on being the SAME each month (like your rent or paycheck).

## MAKE A PLAN FOR YOUR MONEY CREATE A BUDGET

A budget is a plan that covers all the different ways cash filters in and out of your wallet.

INCOME	FIXED			FLEXIBLE		
	Item	Anticipated	Actual	Item	Anticipated	Actual
	Net Monthly Paycheck	\$2,200.00	\$2,010.94	Waitressing	\$500.00	\$650.00
TOTAL NET INCOME = \$2,660.94						

EXPENSES	FIXED			FLEXIBLE		
	Item	Anticipated	Actual	Item	Anticipated	Actual
	Savings (pay yourself first)	\$200.00	\$250.00	Groceries/Food	\$250.00	\$246.59
	Housing (rent, renter's insurance or mortgage)	\$700.00	\$700.00	Gifts and holidays	\$50.00	\$25.00
	Utilities (electricity, gas, water, phone, Internet, TV)	\$375.00	\$367.59	Personal items (haircuts, gym, clothes, electronics)	\$175.00	\$200.74
	Transportation (bus pass, car payment, car insurance)	\$250.00	\$264.39	Transportation (unexpected repairs, gas)	\$125.00	\$121.63
	Health insurance	\$135.00	\$135.00	Health care (fees and costs not covered by insurance)	\$50.00	\$0.00
	Debt payments (student loans, credit cards)	\$250.00	\$250.00	Entertainment (eating out, movies, concerts)	\$50.00	\$58.63
	Total Fixed Expenses	\$1,910.00	\$1,966.98	Total Flexible Expenses	\$700.00	\$652.59
TOTAL EXPENSES = \$2,619.57      TOTAL NET INCOME AFTER EXPENSES = \$41.37						



### BYE, BYE MONEY

Expenses include all of the ways you spend your money, from daily necessities like food to monthly activities like paying your mortgage or rent.



### LOOT, THERE IT IS

Income includes all of the cash you have coming in, such as a paycheck from a regular job, a side job like pet sitting for family and friends and any money you might receive as a gift.

