

Quick Start Guide

Case Study: The Diaz Family

Topic: money management

. . . children of immigrants perceive that they are a main if not the main reason for the immigration of their parents, who often stake all of their hopes for the future on their children's success.

–Rubén G. Rumbaut¹

When it comes to moving up in life, it may not be what you do. . . but where you live.

–Kai Ryssdal, Marketplace.org, July 22, 2013²

The zip code you live in can have a big impact on your economic destiny.

–Krissy Clark, Marketplace.org, March 1, 2013³

Introduction

If there is a “foundation” American story, it is one of immigration and sacrifice—of parents giving up everything so that their children have a chance at a better life. For the Diaz parents, the dream of their children’s success is what keeps them going. Of course, they know there will be trade-offs. Once the kids are fully launched, with no money set aside for their own retirement, the Diaz parents will return home to El Salvador and their extended family there.

¹ <http://www.hks.harvard.edu/inequality/Seminar/Papers/Rumbaut2.pdf>

² <http://www.marketplace.org/topics/wealth-poverty/when-it-comes-economic-mobility-place-matters>

³ <http://www.marketplace.org/topics/wealth-poverty/moving-isnt-easy-you-might-think>

Dilemma

How far must the Diaz family go to assure their children of the education that they believe will give them the best possible opportunity at success as American citizens?

- Should they stay in the community they know and hire tutors to supplement the instruction the children are getting in what the Diaz family knows is a very poor school system?
- Should they stay in the community, but send their children to a nearby parochial school?
- Should they stay, but apply for admission and scholarship for the children to an independent school—a very selective private prep school? (Note: most scholarships would not cover the cost of “extras”—supplies, home computers, appropriate clothes.)
- Should they leave the community entirely and accept a position as a caretaker couple at a modest salary, but with “free” housing on an expensive estate in a very exclusive community where they know the schools are excellent?
- Alternatively, should they leave the state of New York entirely and seek work in a state where the cost of living is somewhat lower and the public schools less likely to suffer the drastic underfunding they find in their own community?



The Diaz parents are in their mid-30s. Investing in their own retirement seems unattainable, but a distant trade-off, compared to the immediate needs of their children. By default, they have also made a decision not to invest the time and money they would need to advance their own education. They have been in the country long enough to speak and read English. They know that, where their children’s education is concerned, the stakes are high and they want to make a plan that works.

What Students Will Learn

Problem-Solving Skills

- To conceptualize and engage with a hypothetical case study as a true problem, not one that fits neatly into, and illustrates, a preordained solution
- To conceptualize a problem from multiple points of view
- To identify the knowledge they will need to propose a solution to the Diaz dilemma
- To identify relevant criteria for evaluating whether or not their solutions to the dilemma are useful

Related Financial Literacy Concepts

College savings plans (e.g., 529 plan): Many states and educational institutions offer special savings plans with tax benefits to encourage families to engage in private saving for college. These plans should be carefully reviewed to fully understand the terms, any associated fees, and the likely return on the plan.

Financial goals: There is no one “correct” financial decision that applies to all cases; all decisions need to be weighed according to the ultimate goals. For the Diaz family, they have clearly stated that their primary goal is to secure a good education and a better future for their children.

Opportunity costs: Opportunity cost is the value of goods or services measured in terms of what had to be sacrificed (the next best alternative) in order to obtain the item or service. There is always an opportunity cost when choosing among alternatives.

Trade-offs: Because of scarcity—of time, money, and resources generally—making choices inherently involves sacrificing one thing for something else. Optimal choices will minimize the sacrifices and maximize the gains.

In the Classroom . . .

1 HOMEWORK

Assign the case study for homework. Tell students that in order to be completely familiar with the facts of the case they should read it twice: once to get an overview of the case and then a second time to make note of the facts that seem most important.

2 AS A WHOLE CLASS

Agree on a detailed understanding of the facts. Ask students to restate what they know about the case.

What do you notice? What are the essential elements of the case you have just read? Draw students out on statements of the problem the Diaz family faces. Be clear that you only want the problem, *no* solutions. Insist that they be respectful of their client family and not judgmental about their dilemma. It might help if they put themselves in the position of the Diaz family. If necessary, ask that they complete the sentence: “The real problem here is . . .”. Ask students to put their problem statements on the board.

Identify the dilemma. Show students a sample dilemma map on a different topic from “Using the Quick Start Guides.” Once they have grasped that it maps the complexity of a decision, put a blank map on the overhead, and, as a whole class, agree on what the central dilemma is. Tell them it will be their job to complete the map in small groups. (If appropriate, give students extra support by agreeing as a class on the central dilemma and the main branches of the map.)

3 SMALL-GROUP DISCUSSION: PART 1

Break students into groups of 4–6, and tell them that, in preparation for meeting with the Diaz family, they are to complete the map in a way that will prove to the couple that they understand their dilemma and will use their knowledge to help as much as they can. They are to use a review of the case to complete the dilemma map. Ask students to make a list of other questions they would have to ask the Diaz family to fully understand

the dilemma—questions that might add complexity to the map or enable them to organize it for more clarity. (Teachers might suggest students role play the interview itself.) In addition to completing the map, ask students what essential information they will need to consult effectively—what facts. The groups should generate a list.

4 PAIRED RESEARCH

Students should now be divided into pairs. Ask students to use the questions their group has generated and any clarifying ideas they have as a pair to do research. Students should begin with the links in the lesson. The research should take them beyond the data in the case itself to assess the actual cost of the options the Diaz family is considering. The pairs can use the organizer to get started.

Example of completed organizer:

Options	Costs	Benefits	Questions and Comments
Parochial school	\$8,000 per year for each of 3 children	Better reputation than their public school	
Tutoring, SAT prep, other supports	\$65-\$100/hour	Diaz parents can keep existing jobs	
Caretaker job	Salary reduced to \$24,000 per year (national average from BLS.gov)	Room covered, better schools without tuition costs	
Private prep school	\$40,000/year without financial aid	Strong academic program and “pipeline” to competitive colleges	
For all options	\$10,000 Computer and other learning tools; stuff to help kids “fit in” with middle-class kids		

5 SMALL-GROUP DISCUSSION: PART 2

Give students a copy of the budget created by the Economic Policy Institute (EPI) for your locale (created at <http://www.epi.org/resources/budget/>), or use the sample family budget provided at the end of this guide. Also provided is a family budget

worksheet that students can use to complete the following task. Their job is to reconcile what they know about the case dilemma (the map), their research, and the cost of various solutions with the reality represented in their version of the EPI budget. Ask them to work with the map and the budget to create the beginning of a workable plan using the worksheet. The substance of the work here is to modify, if necessary, the EPI data they receive (the estimates might be higher than their own research). Ask that they list any facts or factors that are critical to the case, but cannot be listed in the budget. These might be about college admission, job prospects, and any of the other assumptions critical to the dilemma as the Diaz family sees it. When they do numbers they should look at the pros and cons of trimming; for example, cutting health insurance might save money, but it could put the overall plan at great risk. To make it easier for students to factor in the chances of a better job or third or fourth job as a way to earn additional money, the teacher might stipulate earnings for jobs not included in the case. Students should not foreclose on solutions to the case because of the cost of college. The family is taking many chances and among them is that their children will get substantial financial aid.

COMPLICATING FACTORS

If the groups reach closure quickly, or draw conclusions that don't reflect an understanding of the case as a true dilemma, introduce the following information and ask students to discuss it before making their final recommendations.

- ▶ According to research done in the 1990s, when compared with families who were relocated to other urban housing, children who moved with their families from low income housing in Chicago to suburban communities were much more likely to graduate from high school, attend 4-year college, and, if they were not in college, have jobs with better pay and with benefits.⁴
- ▶ The differences in income between high school and college graduates is growing. Among 25- to 32-year-olds, median annual earnings for full-time working college-degree holders are \$17,500 greater than for those with high school diplomas only.⁵

⁴ http://www.nber.org/mtopublic/chicago/mto_chi3.pdf

⁵ <http://www.pewsocialtrends.org/2014/02/11/the-rising-cost-of-not-going-to-college/>

- ▶ The research data shows that the more selective college you go to, the more likely you are to earn a good salary when you get out of that college, and getting into a selective college means doing well on tests and grades and taking part in extracurricular activities—all of which come with price tags. SAT prep courses, music lessons, and travel sports teams are expensive. For example, \$65/hour for a math tutor, \$3,000/year for soccer team travel, clarinet lessons cost \$100/month, phones to keep track of where the kids are and when they need to be picked up can cost \$300/month.⁶
- ▶ Top earners with Yale degrees typically earned \$326,000 a year compared with the best-paid graduates of, for example, Kent State University, a respectable public university in Ohio, who earned \$124,000, on average.⁷

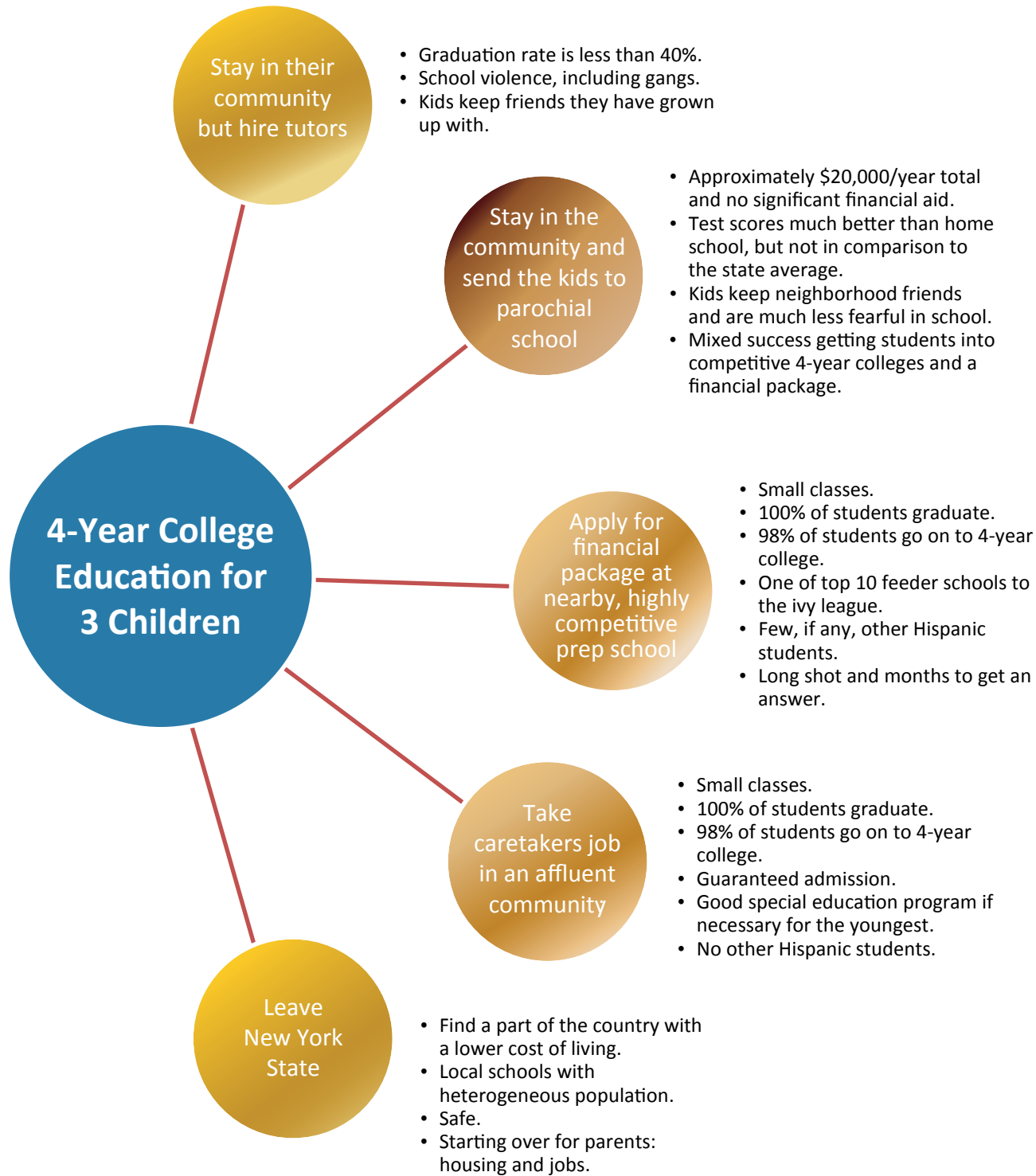
⁶ Marketplace, June 2013. <http://www.marketplace.org/topics/sustainability/consumed/middle-class-parents-raising-children-becomes-consumer-arms-race>

⁷ <http://www.businessweek.com/stories/2008-08-07/which-college-grads-earn-the-most-businessweek-business-news-stock-market-and-financial-advice>

Extensions

1. Do the same case, but stipulate that the Diaz parents want to grow old in the United States, even though it means living without the safety net of extended family they would have in their home country.
2. Do the same case for a family with a different configuration—single parent, better income, only one child, or something else.
3. Do the same case for an upper-income (over \$150,000/year) family. Use the “How the Poor, the Middle Class and the Rich Spend Their Money” chart at the end of this guide to clarify how the distribution of resources might be expected to change.
4. Step back from the case. Encourage students to think about what policy changes might ease some of the financial stress on families like the Diaz family—changes that would enable them to simultaneously invest in their children’s education and their own future financial security. (Consider giving students a copy of “How the Poor, the Middle Class and the Rich Spend Their Money,” provided at the end of this guide, to start a discussion of the issues.) Students might consider changes in policies regulating the financial industry, immigration law, education policies, or health care. Challenge students to defend any proposed program or policy changes, and describe how they would measure effectiveness.

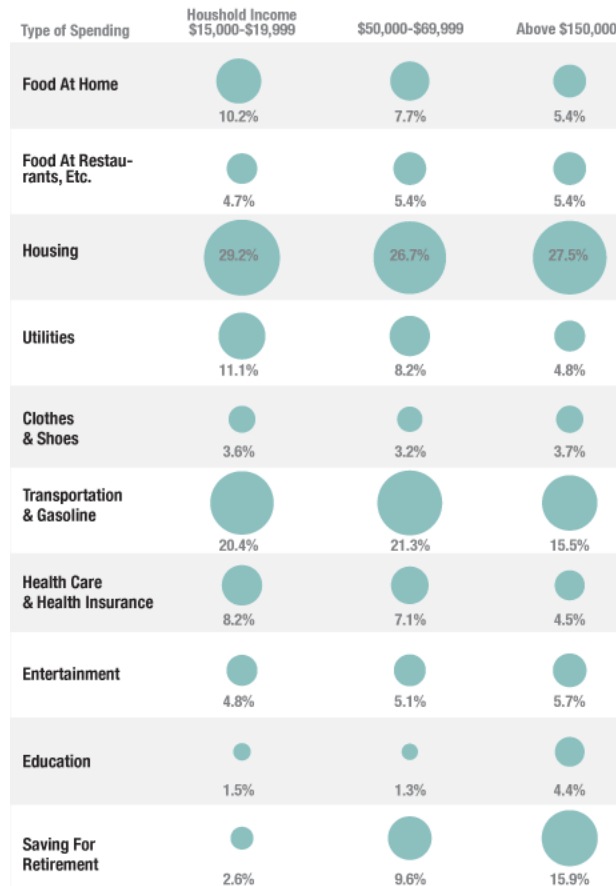
Completed Dilemma Map



Organizer

Options	Costs	Benefits	Questions and Comments
Parochial school			
Tutoring, SAT prep, other supports			
Caretaker job			
Private prep school			
For all options			

How the Poor, the Middle Class and the Rich Spend Their Money



Source: Bureau of Labor Statistics
 Credit: Lam Thuy Vo / NPR

<http://www.npr.org/blogs/money/2012/08/01/157664524/how-the-poor-the-middle-class-and-the-rich-spend-their-money>

Tuition Statistics

Average Private School Tuition: 2007-08				
	All Levels	Elementary	Secondary	K-12 Schools
All Schools	\$8,549	\$6,733	\$10,549	\$10,045
Catholic	\$6,018	\$4,944	\$7,826	\$9,066
Other Religious	\$7,117	\$6,576	\$10,493	\$7,073
Non-Sectarian	\$17,316	\$15,945	\$27,302	\$16,247

Source: **Table 63**, Digest of Education Statistics 2010, National Center for Education Statistics.

Family Budget

MONTHLY COSTS	
<i>for a family with</i>	
2 parents and 3 children	
<i>in Nassau-Suffolk, New York</i>	
🏠 HOUSING	\$2,058
🍽️ FOOD	\$921
👶 CHILD CARE	\$2,942
🚗 TRANSPORTATION	\$607
🏥 HEALTH CARE	\$1,447
🛒 OTHER NECESSITIES	\$763
👔 TAXES	\$1,600
MONTHLY TOTAL	\$10,338
ANNUAL TOTAL	<u>\$124,050</u>

<http://www.epi.org/resources/budget/>

Worksheet: Workable Family Budget

	Stay Local	Parochial	Prep	Suburban	Change States
Housing					
Food					
Child care					
Transportation					
Health care					
Other necessary expenditures					
Taxes					
Sports/music					