Budget Challenge® Road Test for Personal Finance® — Rubber Meets the Road:

**Navigation Tips #1:** Students select their 401(k) plan and contribution as a percent of their salary during “Vendor Selections.” The plan chosen determines the employer match, which is locked in for the duration of the simulation. During vendor selections, students can change their 401(k) percentage and plan choices on the Vendor Selections>Job tab. After the simulation begins, the only change students can make to their 401(k) is the contribution percentage at Student Home>401(k).

**Navigation Tip #2:** It is important for students to understand they cannot withdraw money from their 401(k). The goal is to budget appropriately to keep enough money in their net pay to satisfy bills and even a bit more in case of any unexpected events. Students can use the Paycheck calculator on the Job tab to view the Net Pay schedule as it relates to their 401(k) contribution percent selected. The system will highlight the row in the table that reflects the student’s selection.

**Navigation Tip #3:** Throughout the Challenge, students can use the Budget and Cash Flow Spreadsheet to assess their cash and determine if their current 401(k) contribution leaves them with enough to pay bills on time.

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**Terminology Tune-Up:**

- **401(k):** Company sponsored retirement plan.
- **Tax Deferred Growth:** Taxes are not paid on contributions or earnings until withdrawn.
- **Employee Contribution:** Money deducted from gross pay and deposited into the 401(k) account.
- **Employer Match:** Amount of money the employer contributes to employee’s 401(k) account.
- **Vesting:** Time period an employee must work for the company before being eligible to keep the employer match money.

**Extended Learning Topics:**

- Traditional IRA vs. ROTH IRA
- Deferred contributions and earnings
- Vesting
- Time Value of Money

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**Did You Know?**
In 2016, employees could contribute $18,000 annually to a 401(k), but only $5,500 to an IRA.