STARTING OVER AFTER FORECLOSURE TOOLKIT

Assessing Your Financial Situation

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Assessing Your Financial Situation

Contents

Page

Welcome to the Starting Over After Foreclosure Toolkit 3
- Step 1: Organizing Family Records 4
- Step 2: Develop a Spending Plan 4
  - Procedure to Develop a Spending Plan 5
  - Simple Rules for Developing a Spending Plan 6
  - Which Bills Should I Pay First? 6
  - Recommendations 8
  - Living on a Reduced Income 8
- Step 3: Determine Your Net Worth 9
  - What Is Included in a Net Worth Statement? 9
  - Word of Caution 10
- Step 4: Are You Ready to Take on New Debt? 10
  - How Much Debt Is Too Much to Take On? 11
  - Should You Consolidate Your Loan? 11
  - Your Repayment Plan 11
- Step 5: Manage Your Spending 12
- Step 6: Summarize Your Current Financial Situation 12

References & Resources 13

Handouts & Worksheets 14
- Worksheet: Monthly Spending Plan 14
- Worksheet: Non-Monthly Expenses 15
- Worksheet: Balance Income & Expenses 16
- Handout: How Families Handle Reduced Income 18
- Worksheet: Net Worth Statement 19
- Handout: Questions to Ask Yourself 20
- Worksheet: How Much Do I Owe? 21
- Checklist: Smart Changes to Save Dollars 22
- Handout: Helping Your Children Learn Money Management 24

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Welcome to the Starting Over After Foreclosure Toolkit

This toolkit is designed to help people who have been through home foreclosure or are now in the foreclosure process to rebuild their financial lives. There are eight distinct units available for use in this toolkit. They are:

- Getting a Fresh Start After Foreclosure
- Reimagining Your Future: What Direction Do You Want to Go?
- Assessing Your Financial Situation
- Rebuilding Your Financial Situation and Credit History
- Finding a Place to Call Home
- Knowing Your Rights and Responsibilities
- Getting Prepared, Getting Organized
- Returning to Homeownership

You may use each of the units in the toolkit when appropriate depending on where you are in the financial rebuilding process after foreclosure. You do not have to read them in order from start to finish, although you could.

This unit, Assessing Your Financial Situation, focuses on your family's financial health. Beginning to understand your finances is important. Financial recovery after a foreclosure can be complicated. The more insight you have into your personal situation, the easier it will be to determine what you need to get on the path toward economic self-sufficiency. Follow the steps in this unit to assess your financial situation.

STEP 1:

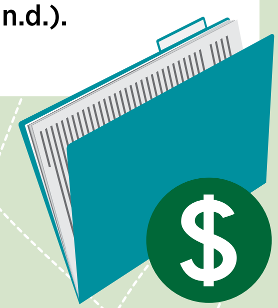
Organizing Family Records

Family record-keeping is the first step in organizing your family's finances. Create a record-keeping system so you can easily locate your necessary financial records when you need them. To start, choose one place to store all of your records and important papers. Next, decide who will take responsibility for organizing your records. Then, develop a schedule for record-keeping activities. Once you complete these steps, your family is ready to get your finances organized. View the **Getting Prepared, Getting Organized** unit for more information.

Include your personal credit report in your records. By reviewing your credit report yearly, you can monitor it for mistakes and identity theft. You have the right to a free copy of your credit report once a year from each of the credit bureaus: Equifax, TransUnion and Experian. It's a good idea to request a copy of your credit report at three different times during a 12-month period. For example, you can request a copy from TransUnion in January, Equifax in May and Experian in September. For more information, see the **Rebuilding Your Financial Situation and Credit History** unit of this toolkit.

TRY IT!

- Find a place to store your important records. Determine who will be responsible for organizing the records in your family. View the **Getting Prepared, Getting Organized** unit for more information.
- Obtain and review a copy of your free credit report. To access your free report, visit AnnualCreditReport.com (*https://www.annualcreditreport.com/*) (Central Source LLC, n.d.).



STEP 2:

Develop a Spending Plan

Next, develop a **spending plan**. Witter (1999) defined a spending plan as an effective tool that outlines your current income and expenses. Spending plans differ for each situation. They vary based on age, income, family size and goals. Spending plans help you make spending decisions and, if done correctly, can prevent family financial controversies. Often, these plans can help your family determine what changes you need to make to be successful.

After foreclosure, you'll need to prioritize your spending, sometimes changing the way you spend your money. Being honest with all family members about your current financial situation will help create a plan that works. Hold a family meeting so all members know the household's financial situation. Create financial goals and make the difficult decisions together. By including all members, a family is more likely to stay on track.

Review the "Helping Your Children Learn Money Management" handout on page 24 for tips to help your children learn better ways to manage their money.

Procedure to Develop a Spending Plan

Developing a spending plan is an important step in assessing your family's financial health. In the University of Illinois Extension *Getting Through Tough Financial Times* website, Bartman, Camp and Chan (1999) recommend the following method for developing the plan.

1. Add up your **current total family income** from all sources. Include income from other family members if you use it for family expenses. Use the "take-home amount" (what you actually have to spend after deductions). Examples of income include earnings from employed family members, unemployment compensation, withdrawal from savings, tips or commissions, interest or dividends, Social Security, child support or alimony, public assistance or veteran's benefits. Use the "Monthly Spending Plan" worksheet on page 14 from the University of Illinois Extension to develop your spending plan. On the worksheet, list your income before it was reduced and the adjusted amount.

2. Identify your **monthly expenses** from all sources. Use a past spending plan, old records, canceled checks, bills or receipts to figure out how much you spent on the following categories. These can include:
   - **Housing –** mortgage or rent payments, property taxes, insurance
   - **Utilities –** electricity, gas, oil, phone, water, garbage, cable TV
   - **Food –** groceries, eating out, school lunches
   - **Transportation –** gas, car repairs and maintenance, parking, bus, taxi fares
   - **Medical Care –** doctor, dentist, clinic, hospital, medicine, glasses
   - **Insurances –** health, life, property, car, disability
   - **Credit Payments –** car payments, installment loans, credit cards, charge accounts, student loans
   - **Household Operations and Maintenance –** repairs, cleaning and laundry supplies, paper supplies, towels, equipment
   - **Clothing and Personal Care –** new clothing purchases, dry cleaning, hair care, cosmetics, toiletries
   - **Education and Recreation –** books, subscriptions, magazines, newspapers, lessons, tuition, hobbies, club dues, sports, pet expenses, entertainment, vacation, alcohol, tobacco
   - **Child Care –** daily child care or the occasional babysitter
   - **Miscellaneous –** child care, gifts, contributions, personal allowances, child support
   - **Savings –** emergency fund, saving for future goals
   - **Seasonal/occasional expenses –** gifts, decorations, parties
   - **Other expenses**

3. Identify occasional income expenses that occur quarterly, yearly or on other regular schedules. Remember that property taxes, insurance premiums and holiday gifts come once or twice a year. You will need to set aside some money to meet these occasional costs.

4. After you have created your monthly spending plan, review your income and expenses. Fill out the column in your spending plan labeled "Adjusted Amount" and adjust your income and expenses as needed.

TRY IT!

Complete the "Non-Monthly Expenses" worksheet on page 15 to develop a workable spending plan for you and your family.

Simple Rules for Developing a Spending Plan

Is it your first time developing a spending plan? Have no fear – follow these simple rules for ensuring you are developing a plan that will meet your needs:

- Be realistic. Try not to overestimate income and underestimate expenses. Remember that spending plans need to be continually revised and reworked to keep them usable.
- Involve all family members in the process.
- Keep your plan in a visible place.
- Avoid spending sprees.
- Count on financial emergencies.
- Review your goals.

Which Bills Should I Pay First?

After creating the spending plan, you need to decide which bills you should pay first and the amount you should pay. Even though you are legally obligated to pay *all* your bills, determine the order in which you need to pay your bills and how much you should pay on each. Work with your creditors, as they may be able to reduce some of your payments. Some bills are more important than others are. To aid your family's decision-making process, consider the following questions generated by Bartman, Camp and Chan (2009) in the University of Illinois Extension *Getting Through Tough Financial Times* website:

What will affect your family's health and security the most?

Usually food, housing, utilities, transportation and medical care take priority.

- Keeping up with your mortgage or rent payment is essential to avoid losing your house or getting evicted. If you need a vehicle, paying the car loan or lease payment may be a priority. Missing payments on a vehicle can result in repossession or penalties for a leased vehicle.
- Avoid letting medical insurance slide when money is tight. Uninsured medical bills could be costly. If you've lost your job and had medical insurance through your previous employer, you may qualify for the Health Insurance Marketplace, Medicaid or MIChild (Children's Health Insurance Program [CHIP]) coverage.

What will you lose if the bills aren't paid?

A house and vehicle are usually high priorities. Look over your list of remaining secured loans and determine which items are essential to keep. Creditors may repossess items, garnish your wages or put liens on property for nonpayment for items such as furniture, appliances, boats, recreational vehicles and electronic equipment. If you aren't sure which loans are secured, check your contract.

How much do you still owe on the loan?

Determine how much you have paid on each loan and how much you owe. If you have only one or two payments to make on a loan, it's probably a good idea to finish paying it, getting that debt out of the way. You may be able to return newer items or sell them to pay off the debt. The Federal Trade Commission (FTC) (2008, November) provides information about vehicle repossession (*http://www.consumer.ftc.gov/articles/0144-vehicle-repossession*). To learn more about your rights in Michigan, contact the State of Michigan Attorney General (2004) (*http://www.michigan.gov/ag/0,4534,7-164-17337---,00.html*).

Do you owe child support, back taxes or student loans?

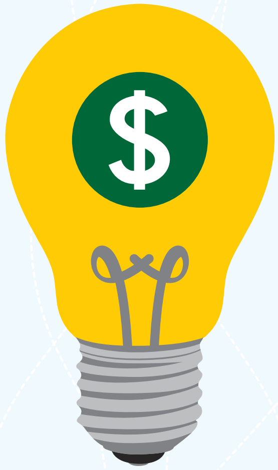
- Failure to pay child support can be serious: you may be held in contempt of court, have your driver's license revoked, have liens placed on your property, have your tax refund intercepted or be ordered to jail. You may be able to get the child support order modified. If you don't get the order modified and fail to make payments, you are responsible for all unpaid support obligations plus interest. Contact Friend of the Court in Michigan or your county child support office (*http://www.michigan.gov/dhs/0,4562,7-124-5528---,00.html*) (Department of Human Services, 2014). for more information.
- If you owe unpaid income taxes, the Internal Revenue Service (IRS) may seize your paycheck, bank account, house or other property. If you can't pay the total amount due, contact the IRS to request a monthly repayment schedule (*http://www.irs.gov/Payments*) (Internal Revenue Service, 2014, May). Also contact a reputable tax professional about other options.
- Federal student loan payments can be deferred (no payments required) during periods of unemployment or financial hardship. **You can't qualify for a deferment once your student loan is in default.** For more information on student loans, visit the Federal Student Aid (n.d.) (*https://studentaid.ed.gov/*), the MyEdDebt.com (n.d.) (*https://www.myeddebt.com/borrower/DMCSBorrowerHome.action*) and Student Loan Borrower Assistance (n.d.) (*http://www.studentloanborrowerassistance.org/*) websites. Interest you pay on student loans during the first 60 months after you begin loan payments may qualify as a tax deduction.

TRY IT!

Complete the "How Much Do I Owe?" handout on page 21 as a family so you can help yourself get a clearer picture of who, what and how much you owe.

Do you have outstanding balances on credit card accounts? What should you pay first?

- **Medium Priority Debts:**
  - Government student loans are medium-priority debts.
- **Low Priority Debts:**
  - Loans without collateral are a low priority. Collateral is property that a creditor has the right to take if you do pay.
  - "Unsecured" debts are a low priority and include most credit cards; attorney, doctor and hospital bills; and open accounts with merchants.



Recommendations:

- Do not move a debt up in priority because the creditor or collector threatens to sue you or to ruin your credit record; they may use threats as a tactic to get you to pay. Check your state debt collection laws for more information.
- Making minimum monthly payments on your credit cards will keep accounts current and avoid negative impacts on your credit report. However, paying only the minimum will increase your finance charges and extend the time it takes to pay off the balance. Compare and negotiate interest rates to ensure you pay the lowest rate. Stop using your cards until your situation improves. Contact a nonprofit consumer credit counseling service if you are having difficulty paying your bills. One such service is the National Foundation for Credit Counseling (2014) (*http://www.nfcc.org/*). Contact them at 1-800-388-2227.

- Once you have adjusted your spending, make sure your plan works for you. Track your expenses so that you have a record of what you have spent and can live on this new income. Each system has its pros and cons. Choose the system that works best for you and your family. Witter (1999) outlined the following options below for tracking expenses:
  - A **checkbook system** or bank statement system is safe and works well for those who deposit all income into a checking account and make most payments by check or online.
  - An **envelope system** involves dividing monthly cash into envelopes marked with budget categories. It works well if you make most payments with cash. However, it requires keeping cash around the house. In addition, you may lose control of the system if you borrow money from one envelope to pay expenses in another.
  - A **receipt can system** requires that family members drop receipts for all expenditures into a designated container. Every week, receipts are sorted by spending categories and recorded. This method is easy if all family members participate by keeping receipts for all purchases.

TRY IT!

Use the sample brainstorming questions from the "Balance Income & Expenses" worksheet on page 16 to help you balance your plan.

Living on a Reduced Income

When income is reduced, you need to stay afloat in this new economic reality and learn how to handle the challenge of adjusting to life postforeclosure. Review the "How Families Handle Reduced Income" handout on page 18 to learn ways to successfully achieve this task. Understanding tips and suggestions to weather this financial storm can aid you in this process.

- A **spending calendar** prompts timely payment of monthly bills and recording of daily expenses. You would need to combine this system with other options for recording cash and charge expenses.
- A **computer program** provides printouts of expenses by categories. However, the data-entry process can take time. A family member must know how to enter the data and actually do it.
- A **pocket note pad or folded sheet of paper** can be used to record cash expenditures while in stores. Later, you can easily transfer the data into a computer program.

TRY IT!
Complete the "Family Assets Inventory" to identify your important family assets. Talk to the other members of your household about ways these assets can help you now, and in the future.

STEP 3:
Determine Your Net Worth

The next necessary step in determining where you are financially is to understand your net worth. A **net worth statement** is a calculation of your assets minus your liabilities. This statement will help identify your financial resources and areas of improvement in your financial situation. Sometimes after a foreclosure, it is common to find that your family's net worth decreases. Over time, net worth statements help you and your family members review financial progress.

What Is Included in a Net Worth Statement?

Assets – Liabilities = Net Worth

Assets include monetary items (such as money in a checking or savings account, or cash), things you own (such as a home, a car, furniture or other items) or money in a retirement or investment account. Determining the value of an asset can be tricky. Do some research to find out your item's value. Include other important non-monetary assets, such as education, that can aid your family's financial situation.

Table 1. Family Assets Inventory*

Resources (Hard Skills) (examples)	Resources family members can contribute	Which family member?
Skills (sewing, baking, woodcarving)		
Abilities and interests (planning, gardening, sports)		
Job training and certifications (Web design, car repair certificate, child care certificate)		
Resources (Soft Skills) (examples)	**Resources family members can contribute**	**Which family member?**
Attitudes (willingness to accept change, flexibility, optimism)		
Self-confidence (willingness to take risks and try new things)		
Time (can fit in a second job or watch children so another household member can work)		

* Adapted with permission from "Family Resources Worksheet" in *Getting Through Tough Financial Times* by D. Bartman, S. Camp, and K. Chan, 2009, Urbana-Champaign, University of Illinois Extension. Retrieved from: http://web.extension.illinois.edu/toughtimes/

TRY IT!

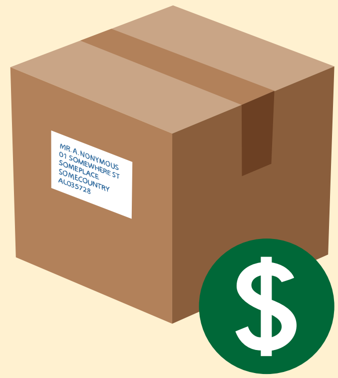
Use the “Net Worth Statement” worksheet on page 19 to determine your net worth. Once you determine your net worth statement, review the “Questions to Ask Yourself” handout on page 20 about preparing your net worth statement. Discuss the questions as a family to begin a discussion about your financial situation.

Liabilities, or debts, are defined by the length of time that you have them. For instance, **short term liabilities** are debts you owe that you can pay off in one year or less, such as past-due bills and credit card debt. **Long term liabilities** are debts you owe that will take longer than a year to pay off, such as a car loan, a mortgage or similar large debts.

After you have totaled both your assets and your liabilities, you are ready to subtract total liabilities from total assets. The resulting number is your net worth.

Word of Caution: Hold on to your savings and sell nonessential items

Using your savings is one way to supplement your income. Be cautious, however, about using savings for things that aren’t a high priority. Otherwise, you leave nothing for emergencies such as unanticipated repairs or medical bills. Additionally, using a 401(k) or other retirement accounts to supplement income may create a serious tax liability that will create a tax lien if you don’t pay it. Thus, setting spending priorities and decreasing expenses are essential steps in making the most of your assets.



Another source of funds to help carry you through a financial crisis is selling property that you may no longer need, could do without or can’t afford to keep. Survey your house, basement, garage and attic for items you can sell.

STEP 4:

Are You Ready to Take on New Debt?

When is the right time for you and your family to take on new debt? Calculate your debt-to-income ratio.

$$\textbf{Debt-to-Income Ratio} = \frac{\text{Total Monthly Debt Obligations}}{\text{Gross Monthly Income}}$$

What does this ratio do? This ratio assesses your current debt level and helps you decide if you can take on new debt.

How Much Debt Is Too Much to Take On?

If your debt to gross monthly income ratio is:

- 0.38 (38 percent) or less, your income is appropriate for the level of debt you have.
- More than 0.38 (38 percent), your income may not be enough to cover your debt payments. Be cautious in taking on new debt.

TRY IT!

Compute your debt-to-income ratio. What is your family's ability to take on new debt?

Should You Consolidate Your Loans?

Do your research. Making a single payment may be easier, but it may take a long time and be more expensive to pay off your debt.

Your Repayment Plan

Once you have determined how much money your family has available for monthly living expenses and for paying off debts, you can decide how much you can pay each creditor. Bartman, Camp and Chan (2009) recommend the following suggestions to set up an effective repayment plan.

- Develop and write down a realistic repayment plan that works for you and your family.
- Call your creditors to explain your situation, and arrange to pay your debts.
- Follow through with your plans so that your creditors will work with you in the future. Some businesses, such as utility companies, have special counselors for customers who can't pay their bills.
- Seek out government assistance to help with utility and medical needs. If you ignore creditors, your debt may be sold to a collection agency. This can negatively affect your credit.
- A creditor with a court judgment against you has the right to garnish money belonging or owed to you, most often from wages or your bank account. If you receive a notice of garnishment from a court, attend the hearing to set up an affordable plan and interest rate. For more details about Michigan law, check out "Facts about Garnishment" from MichiganLegalAid.org (Elder Law of Michigan, 2005) at *http://www.michiganlegalaid.org/library_client/elder/facts_about_garnishment/html_view*
- For more information, visit the unit **Rebuilding Your Financial Situation and Credit History** for tools and resources to assist you with this process.

STEP 5:

Manage Your Spending

In times of crisis, all members of the family need to control their spending and work together on this process. Discuss the family bill tracking and paying system on a regular basis, such as every few months, to see if you need to make changes. If your income changes again, revisit your spending plan to decide where to make adjustments.

TRY IT!

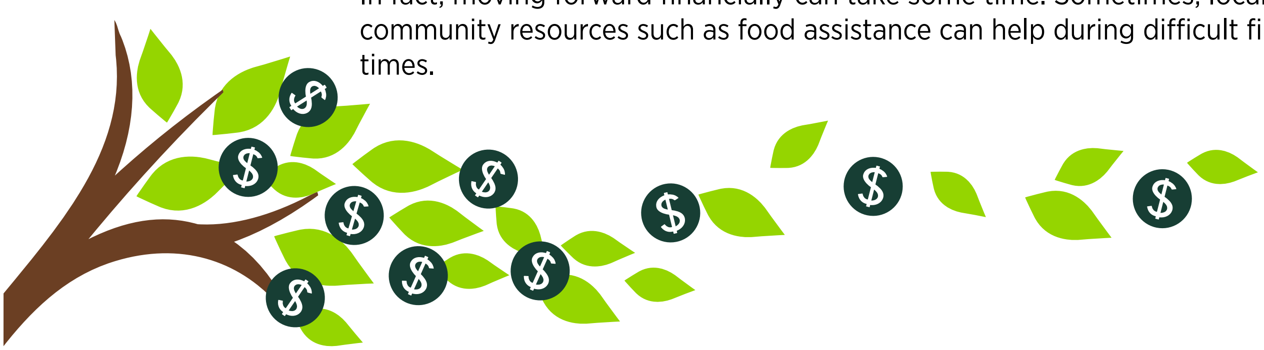
Review each of the expense categories and check off the ideas that might aid your family to reduce spending. Use the "Smart Changes to Save Dollars" checklist on page 22, adapted with permission from the University of Minnesota Extension *Dollar Works 2: A Personal Financial Education Program* as a guide. In addition, use the following questions developed by Witter (1999) to assist your discussion.

- How can we reduce spending?
- Can we substitute a less costly item?
- How can we conserve resources and avoid waste?
- Are there opportunities to cooperate with others by trading or sharing resources?
- Can we save if we do it ourselves?
- Can we do without?

STEP 6:

Summarize Your Current Financial Situation

When people determine their overall financial situation, they may have mixed emotions ranging from surprise, regret, relief or even anger. After a financial crisis, people often find that there are not enough resources to meet their needs. In fact, moving forward financially can take some time. Sometimes, local or state community resources such as food assistance can help during difficult financial times.



References & Resources

TRY IT!
What resources are available to you locally? Check out the local resources in your community to help you in your rebuilding efforts.

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WORKSHEET

Monthly Spending Plan

Month________________20_____

Because most bills are monthly, it's easiest to look at income and expenses on a monthly basis.

Income & Expenses	**Before Income Was Reduced** (In Whole Dollars)	**Adjusted Amount** (In Whole Dollars)
Step 1. Your Income (Take Home) **Multiply weekly income by 4.33 and biweekly income by 2.17 to convert them to monthly amounts.**		
Salary, wages	$	$
Unemployment compensation		
Other income		
Other income		
A. Total Monthly Income	0	0

Step 2. Monthly Expenses		
Housing – mortgage/rent		
Utilities – electric, gas, phone		
Food – at home and away		
Transportation – gas, car repairs		
Medical care – doctor, dentist		
Insurances		
Credit payments		
Household operations and maintenance		
Clothing and personal care		
Education and recreation		
Child care		
Miscellaneous – gifts, allowances		
Savings		
Seasonal/occasional expenses		
Other expenses		
Other expenses		
Other expenses		
B. Total Monthly Expenses	0	0

Step 3. Balance Income and Expenses
Total Monthly Income (A) $0_____________ **– Total Monthly Expenses (B) $**0_____________

Adapted with permission from *Getting Through Tough Financial Times* by D. Bartman, S. Camp, and K. Chan, 2009, Urbana-Champaign, University of Illinois Extension. Retrieved from: http://web.extension.illinois.edu/toughtimes/

Non-Monthly Expenses

Some big expenses such as property taxes and insurance premiums come due only once or twice a year. Others such as school clothes in the fall and holiday gifts in December are seasonal. Use this chart to help you estimate these expenses and include them in your spending plan.

Expense	Amount	Expense	Amount
January		July	
February		August	
March		September	
April		October	
May		November	
June		December	

Adapted with permission from *Money 2000*, by Joan Witter, 1999, East Lansing: Michigan State University Extension.

Balance Income & Expenses

Here are some questions to aid you in balancing your income and expenses appropriately. Sit down with your family and take a hard look at your income and expense balance. Make revisions in support of your family's goals.

General Brainstorming About Options
What are the possibilities for changing your cash flow?
What is this costing you?
What ideas do you want to look into?
What are your priorities?
Where do you feel successful?
What's untouchable or non-negotiable?

Income Options
What are ways to increase your income, including get a better job or decide that additional family members will work?
Is there anything you can sell?
Would you be willing to ask a tax professional to review your returns and paystubs to help you maximize deductions, credits or take-home pay?
Would you be willing to look into eligibility for any public or private benefits?

Balance Income & Expenses, continued

Expense Options
What are ways to reduce your spending, based on needs versus wants?
What could you cut back on temporarily?
Can you cut back on groceries or dining out? Can you take your lunch to work?
Can some utility services (home and cell phones, Internet and cable) be eliminated or decreased?
Can you reduce childcare costs?
Can you eliminate the use of credit cards?
What fun things can you do that don't cost money?
Do you have any spending leaks or daily money drains? (Without you really noticing them, these expenses zap money regularly from your budget without adding value to your life.)
Supports
What would help you change your spending habits?
Actions
What could you do right now to improve cash flow?

Adapted with permission from *Money 2000*, by Joan Witter, 1999, East Lansing: Michigan State University Extension.

How Families Handle Reduced Income

- **Cut Your Spending –** Spending for nonessentials such as luxuries, vacations, eating out and home furnishings are eliminated or reduced first. As the reduced income continues, reduce spending for basic needs including food, shelter, transportation and medical care.
- **Revise Your Budget –** This includes creating a new spending plan including a plan for getting the bills paid.
- **Increase your income or use credit (but use caution!) –** Borrowing or using credit to pay bills often brings only temporary relief.
- **Make small, positive changes in your spending habits –** Positive change can produce positive benefits, making you feel more in control and satisfied with your financial situation.

Living on a Seasonal Income

- If you are self-employed or seasonally employed, or you receive income from tips or commissions, your family income may change from month to month. In that case, carefully estimate your income for a year so you can see when and how much it changes.
- Even though your income may change from one month to the next, many of your living expenses remain the same each month. This mismatch of income and expenses creates uncertainty that can cause feelings of insecurity and can increase family tension.
- Reduce this uncertainty by establishing a monthly family living allowance. Use expenses you identified as part of your spending plan to determine your monthly living allowance, or what it costs your family to live each month.
- When you receive income, deposit a major portion of it in a special savings or money market account where it will earn interest but still be readily available. Then, each month pay yourself by withdrawing the amount of your family living allowance and putting it into your checking account to pay your bills.
- As a family on a seasonal or irregular income, you may want to schedule some major expenses such as insurance premiums, clothing purchases and nonemergency medical and dental care to coincide with times when you anticipate more income. Avoid the temptation to spend more money in the months when your income is greater.

Summary

- Living on a reduced income may be temporary or prolonged. Getting the most from family income during this time requires careful planning and wise spending decisions.
- A spending plan based on what you and your family consider to be most important can help you balance your spending with your available income and resources. Keeping track of your spending will help ensure that you have the money for the things your family needs most.

Adapted with permission from *Getting Through Tough Financial Times* by D. Bartman, S. Camp, and K. Chan, 2009, Urbana-Champaign, University of Illinois Extension. Retrieved from: http://web.extension.illinois.edu/toughtimes/

Net Worth Statement

Date: ______________________

Assets (What You Own)	Amount (In Whole Dollars)	Liabilities (What You Owe)	Amount (In Whole Dollars)
Liquid Assets		Mortgage	$
Cash on Hand	$	Home Equity Loan	
Checking Account		Vehicle Loan(s)	
Savings Account		Other Installment Loans	
Money Market Account		Credit Card Balances	
Certificates of Deposit		Charge Account Balances	
Cash Value Life Insurance		Personal Loans	
Marketable Assets		Current Unpaid Bills	
Savings Bonds	$	Student Loans	
Other Bonds		Other Debts	
Mutual Funds			
Stocks		**Total Liabilities**	**$** 0
Other Personal Assets			
Market Value of House	$		
Other Real Estate			
Value of Vehicles			
Value of Boats, RVs			
Value of Furniture			
Value of Appliances			
Nonmarketable Assets			
IRAs	$		
Pensions (current value)			
Amount Others Owe You			
Other Assets			
Total Assets	**$** 0		

Total Assets $0________________ **+ Total Liabilities $**0________________ **= Net Worth $**0________________

Questions to Ask Yourself

Take a good look at what you have written down in the "Net Worth Statement" on page 19 and answer the following questions:

- Where are most of your assets? Are they mostly in one item, your vehicle, for example?
- How much of your assets are liquid, or easy to turn into cash?
- How much do you have in bank accounts that you can use during your current financial emergency?
- How long will your savings last if you take from it to pay current living expenses?
- What marketable assets can you sell or convert to cash to help pay current bills?
- Do you have any vehicles or other personal property that you can sell?
- Do you have cash value life insurance that you can borrow against?
- What financial assets do you have that you are not using?
- Are your assets greater than your liabilities?
- Are you able to meet your current monthly bills and expenses on your current income?
- Are you behind in any of your payments?
- Is there a way to lower your interest payments by paying off any of your debts? Can you refinance any of your loans to lower the monthly payments?
- Are there any items you recently purchased on credit that you can surrender or give back to the creditor to get out from under a debt?
- If you have a negative net worth, you may want to work with a financial professional to set goals and work toward creating a positive net worth.
- Remember, when determining strategies and options, explore as many as possible. Do not limit them to the examples provided in this toolkit.
- Cashing in a 401(k) or other long-term, tax-favored asset may incur tax penalties. Be sure to discuss such options with a financial professional to determine the true cost to you and know how it could affect your future financial well-being.

Adapted with permission from *Getting Through Tough Financial Times* by D. Bartman, S. Camp, and K. Chan, 2009, Urbana-Champaign, University of Illinois Extension. Retrieved from: http://web.extension.illinois.edu/toughtimes/

Adapted with permission from *Recovery After Disaster: The Family Financial Toolkit*, by P. Onstad, S. Croymans, T. Olson, L. Scharmer, N. Beers, and C. Johnson, 2011, St. Paul, MN: University of Minnesota Extension

WORKSHEET

How Much Do I Owe?

Debt is money you have promised to pay to creditors. This worksheet can help you figure out the amount you owe now and the status of late payments.

Debt Description	Creditor	Balance Remaining	Payment Amount	Amount Behind	Number of Payments Behind	With Collection Agency
Credit Cards						
1						
2						
3						
4						
Vehicle Payments						
1						
2						
Secured Loans						
1						
2						
Student Loans						
1						
Unsecured Personal Loans (family/friend)						
1						
Liens						
1						
Home Equity Loans						
1						
Overdue Payments						
Rent/Mortgage						
Utilities						
Health Care						
Totals		0	0	0	0	0

Adapted with permission from Anderson-Porisch, Heins, Petersen, Hooper, and Bauer's *Dollar Works 2: A Personal Financial Education Program* (2009, St. Paul, MN: University of Minnesota Extension, Action Page 8-4: How to Maintain a Good Credit Score, p. 186).

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Smart Changes to Save Dollars

You may find that you can't always pay your bills or save money from your paycheck. When this happens, use the ideas below to look for smart ways to spend less. Check off the things you already do. Continue to check them off as you do them.

❒ Plan ahead and shop around.

- ❍ Plan your spending carefully, especially for expensive items.
- ❍ Comparison-shop before you buy. Check catalogs, thrifty classified ads, garage sales, and secondhand and discount stores. Also, check around to see if you can get lower cost insurance.
- ❍ Do most of your food shopping at discount grocery stores. Save convenience stores for emergencies. Don't get fast food because you haven't planned ahead; save it for a treat.
- ❍ Look for sales and specials on soap, paper products and personal items. Use coupons only if they help you save on things you would buy anyway.
- ❍ Plan your meals for the week. Make a list of what you need before you go grocery shopping, and stick to it. Don't buy anything that isn't on your list.
- ❍ Eat before you go to the store. Don't shop for groceries when you're hungry.
- ❍ Buy clothes that go with items you already have. Mix and match outfits.

❒ Don't buy.

- ❍ When you think of buying something, ask yourself: Do I really need this item, or is there something else I would rather do with this money?
- ❍ Be able to say no to yourself, your children and to salespeople whenever you feel pressured into buying something.
- ❍ Check your phone bill. If you have any custom calling services that you pay extra for, do you really need them? Basic service costs the least.
- ❍ Check your cable TV bill. Do you need more than the basic plan? Do you need cable at all?

❒ Use wisely.

- ❍ Make the items you buy last longer by taking proper care of them.
- ❍ Use food promptly to avoid spoilage. Talk to your children about not wasting food.
- ❍ Do regular car maintenance, such as oil changes. Tuning up your car and inflating the tires properly will improve your gas mileage.
- ❍ Wash your car yourself (a clean car rusts less).
- ❍ Take good care of your health. Eat healthy meals and get regular exercise.
- ❍ Fix any leaky faucets and toilets in your home.
- ❍ Pay your bills on time to avoid finance charges and late fees.

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Smart Changes to Save Dollars, continued

❒ Share, rent or borrow.

- ❍ When you need a costly item (such as a garden tiller or a carpet shampooer) for one-time use, it may be cheaper to rent it than to buy it. Also, see if you can share the cost of renting it with a friend or neighbor who also needs to use it.
- ❍ Return all rented or borrowed items in good condition and on time. If you got the item from a friend, they'll be more likely to help you out again. If you got it from a business or the library, you'll avoid fines and late fees.
- ❍ Remember that libraries offer more than books including Internet access, music and video loans, and free educational and entertainment opportunities for yourself and your children.
- ❍ Rent a community garden plot to grow a family garden.
- ❍ Find out if there is a place in your community where you can borrow tools.
- ❍ Stretch your resources by sharing with friends and neighbors. For example, you could share newspaper or magazine subscriptions, or buy a bushel of apples with three other families.
- ❍ Join a car pool, and share the cost of gas.
- ❍ When hosting a party, consider a potluck.

❒ Substitute

- ❍ Buy one all-purpose cleaner for floors, wall, woodwork and appliances.
- ❍ Find out if a lower priced brand works as well as the one you usually buy.
- ❍ Instead of taking the family to a movie, rent or borrow a video.
- ❍ Instead of going to the mall, play games together.
- ❍ Instead of going to a restaurant, get prepared food from a grocery store deli.
- ❍ Use old towels and shirts for cleaning rags. You'll save money by using fewer paper towels.
- ❍ Take public transportation whenever possible.

❒ Sell, trade or do it yourself.

- ❍ Check if you have items in your home that you no longer use or need. If you do, hold a garage sale. For best results, hold a joint sale with your neighbors.
- ❍ Trade hand-me-down children's clothes with other families.
- ❍ Trade your talents and skills with your neighbors.
- ❍ If you have time and skill, it may be cheaper to make an item rather than buying it.
- ❍ Cut heating costs by weather-stripping and caulking your windows and doors. Put clear plastic over leaky windows.
- ❍ Cut your children's hair.
- ❍ Use less expensive homemade cleaners.

❒ Find it free.

- ❍ Many items are available free at the library.
- ❍ Check the local newspaper or the Internet for free or low-cost activities for the family.
- ❍ Get your exercise in public playgrounds or parks.
- ❍ Check to see if you're eligible for free or discounted classes, food or meals.
- ❍ Find out about all the health care benefits you are entitled to.

❒ Keep track of the little things that add up.

- ❍ Record how you spend the cash in your wallet.
- ❍ Reduce your spending on snacks, magazines, phone calls and lottery tickets.
- ❍ Turn off the radio and television when no one is using them.
- ❍ Teach your children to turn off the lights when they are the last ones to leave a room.

Adapted with permission from Anderson-Porisch, Heins, Petersen, Hooper, and Bauer's *Dollar Works 2: A Personal Financial Education Program* (2009, St. Paul, MN: University of Minnesota Extension, Action Page 4-3: Smart Changes to Save Dollars, pp. 93-95).

Helping Your Children Learn Money Management

Children who are given the appropriate opportunities to learn money management techniques are more likely to develop good money habits and understand the consequences of their money decisions. Below are some tips and ideas for parents to use with their children to gain knowledge on financial management techniques.

Preschool Children

Preschool-aged children, even at the young ages of 3 to 5, can learn money management.

Encourage play-based learning.

- Playing restaurant, supermarket, post office, bank, gas station or car wash can help young children learn about daily consumer choices.

Help your child understand the connection between jobs and money.

- Family members work to earn money for family needs such as food, clothes and the home as well as family wants such as toys and entertainment.
- Show that family members do work at home so that the family does not have to purchase services such as laundry, cooking and yard work. By giving your children chores to do, without pay, they learn that they are part of the family and share in the house workload.

Allow children to become involved in the buying process.

- In the store, choose three items and tell children they may choose one of the items to purchase. Accept their choice. Then, let them go to the sales clerk and pay for the item.

Let them learn from mistakes.

- Sometimes the best lessons are learned from mistakes. If your child has made a bad spending decision, help them see this as a learning opportunity for next time. If he or she is unhappy, try to avoid rewarding them with more money.

For informational, age-appropriate money management resources for preschool children, visit the Credit Union National Association (2011) at *http://www.creditunion.coop/thriveby5/*.

For informational, age-appropriate money management resources for school-aged children, visit the JumpStart Coalition for Personal Financial Literacy (1997-2014) at *www.jumpstart.org*.

School-Aged Children

School-aged children learn to read and write through experience. Allowing school-aged children to learn through play can be a way to keep money management fun and entertaining while at the same time providing a teaching opportunity.

Reinforce math skills.

- Have them make change in a store.

Enlist their help with the family shopping.

- Have your child make a list and track expenses in the grocery store.

Let older children help in the bill paying process.

- Allow the older child to help balance the checkbook and address envelopes, or show them how to pay bills electronically.

Discuss reasons for buying, or not buying, family and household items.

- Let children be a part of family money decisions.
- Ask their opinions.

Give children opportunities to earn money but avoid paying for expected behaviors.

- Expected behaviors can include obtaining good grades, performing regular chores or behaving well.

Use allowance as a teaching technique.

- An allowance is a child's share of family income to be used as he or she chooses. Allowances help children gain experience in handling money and making decisions about how it should be spent.
- Decide with your children how much allowance they should receive. To determine the amount, keep records of money used during the week for lunches, bus fares, other school expenses and entertainment. Then sit down with your child and draw up an expense account deciding what items the child will pay for. For younger children, keep it simple by paying them daily. Older children can receive an allowance weekly or even every two weeks.

Starting Over

After Foreclosure Toolkit

Evaluation

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