

# Managing My Money and Debt

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- Do you feel a sense of terror as the end of the month draws near and you still need to pay for groceries and a bill or ten?
- Do you have a livable spending/savings plan in place?
- Do you have control of your debt...or does it have control over you?

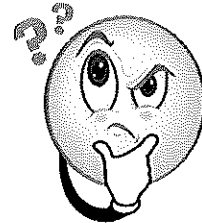
## Goal Setting/Making Choices

- What are your dreams?
  - Home?
  - Vehicle?
- Set priorities for your spending



## Where Does Your Money Come From?

- Cash or paycheck
- Tips, commissions, and/or overtime
- Child support and alimony
- Public Assistance (TANF)
- Advanced Earned Income Credit (EIC)
- Social Security and



Where Does Your Money Go?

## Methods to Track Expenses

- Receipt
- Envelope
- Calendar or Notebook
- Checkbook
- Computer



## Income & Expenses Worksheet

Lesson 1, worksheet 1A

My Income		My Expenses	
Month of _____, 2012		Fixed Expenses	
Wages		Rent/Mortgage	\$400.00
Tip/Commissions	\$100.00	Car/Bus Payment	\$200.00
Child Support/Alimony		Utilities - Electric, Water, Gas, Oil, Sewer	\$200.00
Public Assistance (TANF)		Insurance - Life, Health, Disability	\$100.00
Social Security/Retirement		Other Loan Payments	\$0.00
Unemployment/Disability		Other	\$0.00
Spouse's Benefits		<b>Total Fixed Expenses</b>	<b>\$900.00</b>
Interest/Dividends			
Other Income	\$50.00		
<b>Total Income</b>	<b>\$1,500.00</b>		
		Flexible Expenses	
<b>Total Income</b>	<b>\$1,500.00</b>	Food	\$100.00
		Clothing	\$50.00
		Health/Medical	\$20.00
		Utilities - Gas/Oil/Water/Power	\$0.00
		Personal Care	\$0.00
		Household	\$0.00
		Child Care/Day Care	\$0.00
		Personal Expenses	\$0.00
		Education	\$0.00
		Entertainment/Recreation	\$0.00
		Charitable/Other	\$0.00
		Other	\$0.00
		<b>Total Flexible Expenses</b>	<b>\$0.00</b>
		<b>Total Family Expenses</b>	<b>\$900.00</b>

Developing a Spending & Saving Plan



## Savings

### Pay Yourself First – PYF

- Save for emergencies
  - 2-6 Months
- Save for your goals
  - Down payments
  - College education
  - Retirement
  - Vacation



## Economic Concerns



- Brink of financial trouble...
  - Job loss or employment uncertainty
  - Personal savings non-existent
  - Credit card debt
  - Home equity loans and foreclosure looming
  - Car loans
  - Increase in expenses
    - Fuel for heating and transportation
    - Food
    - Housing
  - Overall inflation

## How Do I Save Money?

- § Places I can save money...
- § What are the obstacles in my way to saving money...
- § What would I like to save for...
- § The best way that I save money...
- § Advantages of saving money...
- § Disadvantages of not saving money...



## Spending Less Ideas

- § Substitute a less costly item
- § Borrow or share
- § Make it
- § Cut down or cut out altogether
- § Rent it
- § Find it free
- § Use it wisely
- § Trade or sell
- § Don't buy
- § Adapt it or recycle
- § Save for it



## Boost Savings

- § Start saving today!!!
- § Save your cash back rewards if you use a credit card
- § Have a set percentage automatically put into a savings account each paycheck
- § When you pay off a debt, keep making the payments  
—TO YOURSELF
- § "Take advantage of your employer"
- § Get the entire family involved in saving – make it a game



## Clothing

- Don't buy clothing at regular price  
—always on sale or at discount store
- Consider a thrift store
- Buy clothing that is washable and easy to care for
- Before buying new clothing, take an inventory of each family member's wardrobe
- Take clothing you no longer wear to a consignment shop
- Mend clothing properly



## Your Grocery Bill

- Plan a menu—shop from a list that coordinates with the plan
  - “Map” the store
  - Be “faithful” to your list
- Prepare food from scratch
- Watch and shop sales!!
- Grow a garden—even container gardening
- Select and use coupons carefully
  - Start a “coupon club” with your friends and neighbors
- Make your own mixes
- Practice portion control



## Entertainment

- Take advantage of free entertainment—concerts in the park, municipal movies, guest speakers at the college, bike/hike trails
- Promote “Family Time”
  - Reduce or eliminate your cable bill
  - Play more board games
  - Read a book together as a family/couple
  - Rent DVDs at the rental store instead of going to the theater
- Take a vacation in the off season

## Medical

- Don't delay seeing a doctor – Preventative Care ☺
- Ask for generic prescriptions
- Contribute to a flex spending account
- Take advantage of wellness programs and health screenings
- Don't smoke
- Practice good health habits
- Increase the deductibles on your health insurance if you have adequate savings
- Take advantage of free or reduced health clinics for shots or vaccinations



## Transportation

- Carefully plan the use of your vehicle to reduce the amount of driving
- Car pool or use public transportation when possible
- Have regular maintenance—oil changes, tires inflated, etc.
- Sell a vehicle
- Buy used and keep longer
- Insure properly



## Utilities

- Install CFL's and a programmable thermostat
- Wash in cold water
- Turn the heat dry option off on your dishwasher
- Become “one with your blanket”
  - Lower the temperature in the winter—wear slippers and sweaters
  - Lower the temperature of your hot water heater to 120 degrees
- Insulate ceilings, exterior walls, floors, heat ducts, and hot water pipes
- When it is time to replace appliances—buy energy efficient/energy star
- Fix leaky faucets
- Install energy-efficient shower heads and faucet aerators



## Other Miscellaneous Expenses

- Cut your spouse's or children's hair at home
- Form a babysitting co-op with other parents
- Choose checking accounts without monthly fees and minimum balances
- Stop magazine or newspaper subscriptions upon renewal, if you find you no longer or rarely read them
- Utilize community resources and services



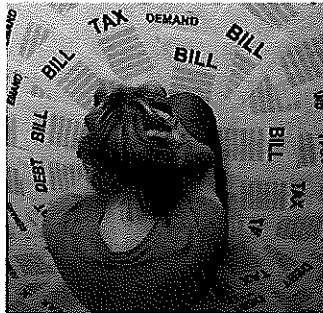
## Where Will It Show?



- Utility bills will drop—track and move into savings
- Check book will have more money at the end of the month—move the extra to savings
- The piggy banks will fatten up—savings accounts will grow
- Records from tracking will reflect the difference

## Resources

- Free Coupons  
[www.freecoupons.com/](http://www.freecoupons.com/)
- Penny Pinching Grandma  
[www.pennypinching-grandma.com/](http://www.pennypinching-grandma.com/)
- The Tightwad Gazette  
[www.tightwad.com](http://www.tightwad.com)
- All Things Frugal  
[www.allthingsfrugal.com](http://www.allthingsfrugal.com)
- Your Local Extension Office



## Step 1: Stop Using Credit

- Stop
  - Charging new items
  - Taking on additional credit
  - Increasing what you owe!



## Step 2: Assess the Problem

- Understand how you got into trouble
- Make friends with your debt
  - List all of your debts
- Know what type of debt you owe
  - Secured
  - Unsecured



## Step 3: Break Your Challenge Into Manageable Steps

### Debt Free in Three Years

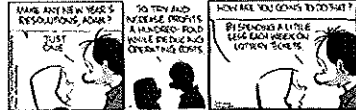
Debt amount	12% Interest	18% Interest	24% Interest
\$ 8,000	\$9/day	\$10/day	\$11/day
\$12,000	\$13/day	\$15/day	\$16/day
\$16,000	\$18/day	\$19/day	\$21/day
\$20,000	\$22/day	\$24/day	\$26/day

## Step 4: Track Your Spending

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			Soda \$1		
Coffee \$4		Magazine \$3			
			Lunch \$15		
	Coffee \$4		Soda \$1		
Soda \$1					

## Step 5: Find the Money

- Change your withholding
- Reduce your interest rates
- Find a second job
- Work overtime
- Get a roommate
- Downgrade your current home
- Have a yard sale
- Borrow from your home
  - Home equity loan
  - Home equity line of credit
- Resist Payday loans



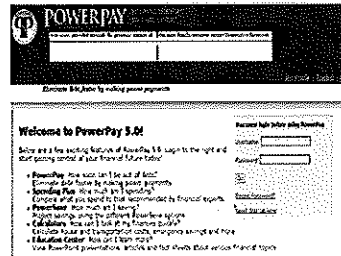
## Step 6: Fix Debt Problems

### Debt Repayment Plan Methods

- Importance
- High interest rate
- Low balance
- Debt consolidation



## Debt Calculators



<https://powerpay.org/>

## Debt Calculators

Category	Sub-category	Item	Price
Personal Finance	Debt Calculators	Auto Loan Calculator	\$1.99
		Car Loan Calculator	\$1.99
		Debt Consolidation Calculator	\$1.99
		Home Equity Calculator	\$1.99
		Home Loan Calculator	\$1.99
		Interest Rate Calculator	\$1.99
		Payday Loan Calculator	\$1.99
		Student Loan Calculator	\$1.99
		Tax Calculator	\$1.99
		Yield Calculator	\$1.99
Personal Finance	Debt Calculators	Auto Loan Calculator	\$1.99
		Car Loan Calculator	\$1.99
		Debt Consolidation Calculator	\$1.99
		Home Equity Calculator	\$1.99
		Home Loan Calculator	\$1.99
		Interest Rate Calculator	\$1.99
		Payday Loan Calculator	\$1.99
		Student Loan Calculator	\$1.99
		Tax Calculator	\$1.99
		Yield Calculator	\$1.99

<https://www.bankrate.com>

## More Debt Calculators



- <http://finance.yahoo.com/personal-finance>

## Step 7: Talk to Your Lenders

- Decide how much you can pay on each bill
- Contact your creditor
  - Explain your situation
  - Try to obtain modified payment
- Make contact as soon as possible



## Help?!? for Taking Control of Debt

- Consumer Credit Counseling 
- Debt Consolidation Loan
- Credit Repair Agencies 
- Bankruptcy



## How to Avoid Future Debt Problems



- Make sure your income will cover your monthly bills
- Know how much you have to spend before you use credit or take a loan
- Know your income and expenses
- Recommended: Emergency savings for 2-6 months of expenses
- Plan for major purchases
- Remember, effort is needed to get out of debt

## How to Avoid Future Debt Problems

- Debt payments should be less than **15-20%** of net (after taxes and payroll deductions) income
  - If you have a high income and no children to support, you may be able to afford 20% of disposable income in debt
- Avoid becoming "house poor"
  - Recommended housing payment should be no more than **25-33%** net (after tax) income
- Less than **15%** of gross (before tax) income, which includes
  - Vehicle payment
  - Insurance
  - Gasoline
  - Maintenance



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## Money Management Planner

The Money Management Planner is a guide to help you take control of your finances. It will help you determine your net worth, set goals, monitor your cash flow and track expenses. A sound spending and savings plan is the foundation for your long-term financial success.

Examine your past finances to create a plan for all future spending and savings. In other words, a review of your expenses and spending habits will enable you to design a realistic monthly budget. Be prepared to make some changes, though, if those habits have kept you from achieving your financial goals.

If your expenses exceed your income, call BALANCE to schedule a money management session. One of our professional counselors can help you design a realistic spending and savings plan that will help you get back on track and achieve your financial goals



## Financial Goals

Your financial goals are specific things you want to do with your money within a certain time period. Short range goals are accomplished within one year, mid-range goals are accomplished within 2 to 5 years and long range goals generally take more than 5 years to achieve.

	Target Date	Total Needed	Current Savings	Additional Savings Needed	Pay Periods Until Target Date	Savings Needed Per Pay Period	Savings Needed Per Month
Short Range Goals							
Mid Range Goals							
Long Range Goals							

## Net Worth

In order to evaluate your progress as you work toward your goals, you must determine what your overall financial picture looks like today. Your net worth is simply the difference between what you own and what you owe. To make sure you are staying on track, it's a good idea to calculate your assets and liabilities annually. If you conscientiously follow your plan you should see a gradual, steady increase in your net worth.

What You Own	Amount
Checking/Saving Accounts	
Investment Accounts	
Stocks & Bonds	
IRA/401(k)	
Home/Real Estate	
Automobile(s)	
Other Assets	
<b>Total Owned</b>	<b>(A)</b>

What You Owe	Amount
Mortgage	
Credit Cards	
Student Loan(s)	
Auto Loan(s)	
Other Loan(s)	
Income Tax Due	
Other Debt(s)	
<b>Total Owed</b>	<b>(B)</b>

To figure your net worth, subtract the total owed from the total owned:

Total Owned (A)	Total Owed (B)	Net Worth
	-	=

## Essential Expenses

Household expenses are categorized into essential and discretionary. Since many expenses are variable, such as utilities and groceries, it is important to average these expenses. Other expenses are periodic (such as insurance or vehicle registration). Again, calculate the annual amount and divide by 12.

Category	Expense	Average Per Month	Goal Per Month
HOUSING	Rent/Mortgage		
	2nd Mortgage/Equity Line		
	Homeowner's/Renter's Insurance		
	Condo Fees/HOA Dues		
	Home Maintenance		
	Gas/Electric		
	Water/Sewer/Garbage		
	Telephone		
FOOD	Groceries/Household Items		
	At Work/School		
INSURANCE (Exclude payroll deducted amounts)	Health/Dental/Vision		
	Life/Disability		
MEDICAL CARE (Exclude payroll deducted amounts)	Doctor/Chiropractor		
	Optometrist/Lenses		
	Dentist/Orthodontist		
	Prescriptions		
TRANSPORTATION (Exclude payroll deducted amounts)	Car Payment #1		
	Car Payment #2		
	Auto Insurance		
	Registration		
	Gasoline/Oil		
	Maintenance/Repairs		
	Public Transportation/Tolls/Parking		
CHILD CARE (Exclude payroll deducted amounts)	Daycare		
	Child Support/Alimony		
MISCELLANEOUS	Banking Fees		
	Laundry		
	Union Dues		
	Other		
INCOME TAXES	Prior Year		
	Estimated Tax Payments (Self-Employed)		
SAVINGS	Emergency		
	Goals		
<b>TOTALS</b>			

## Discretionary Expense

Category	Expense	Average Per Month	Goal Per Month
PERSONAL	Beauty/Barber		
	Clothing/Jewelry		
	Cosmetics/Manicure		
ENTERTAINMENT	Cable/Satellite		
	Movies/Concerts/Theater		
	Books/Magazines		
	CD/Tapes/Videos/DVD		
	Dining Out		
	Sports/Hobbies		
	Vacation/Travel		
MISCELLANEOUS	Internet Service		
	Pet Care		
	Gifts for Holidays/Birthdays		
	Cell Phone/Pager		
	Postage		
	Cigarettes/Alcohol		
	Contributions to Church/Charity		
	Other		
<b>TOTALS</b>			

## Unsecured Debt

List all debts (except auto loans and mortgages) along with the name of the creditor, interest rate, total balance owing and the required minimum payment. This includes credit and charge cards, installment loans, personal loans and outstanding medical bills.

Creditor Name	Interest Rate	Monthly Payment	Balance
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

## Monthly Income

Enter your gross and net (after taxes) income from all sources. For income received infrequently, such as bonuses or tax returns, calculate the annual income, then divide by 12 to find the monthly amount.

Source	Gross	Net
Job		
Spouse's job		
Part-time job		
Rental/room & board received		
Commissions/bonuses		
Tax refunds		
Investment income		
Government benefits		
Unemployment insurance		
Child support/alimony		
Support from family/friends		
Other		
<b>Total</b>		

## Bottom Line

Once you have determined the total of your take-home pay and expenses you are ready to determine your bottom line. Subtract the total of all expenses including debt payments from your net income. If the result is a positive number, you can add the extra money to your savings to reach your goals sooner. If your expenses exceed your income, you'll need to make some adjustments to bring your finances back into balance.

Monthly Net Income	Total Essential Expenses	Total Discretionary Expenses	Total Debt Payment	Balance
	–	–	–	=

## Tracking Day-to-Day Expenses

If you don't know where your money is going, it's time to start tracking your spending. Different methods of tracking work for different people—some like to save receipts while others prefer to jot down all purchases in a small notebook they carry with them. Remember, tracking is only effective if you count every expense, including the morning newspaper and the 75 cents you put in the office vending machine. Use the sheets on the next two pages to record weekly and monthly spending totals. (We suggest you make copies of the charts so that you can track for longer than one week.)

# Weekly Expenses

Item	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total Expenses	Weekly Budget	Over / Under
Groceries										
Restaurants										
Laundry/Dry Cleaning										
Medical/Dental										
Auto/Gas/Parking										
Other Transportation										
Child Care										
Personal Care										
Clothing										
Bank Fees/ Postage										
Entertainment										
Books/Music/ Video										
Cigarettes/Alcohol										
Gifts/Cards										
Home/Garden										
Church/Charity Contributions										
Other										
Other										
Other										
Other										
<b>Weekly Totals</b>										

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## Budget Overview:

Income \_\_\_\_\_ Expenses \_\_\_\_\_ Balance (+/-) \_\_\_\_\_

# Monthly Expenses

Item	Week 1	Week 2	Week 3	Week 4	Week 5	Total Expenses	Monthly Budget	Over / Under
Savings								
Groceries								
Restaurants								
Laundry/Dry Cleaning								
Medical/Dental								
Auto/Gas/Parking								
Other Transportation								
Child Care								
Personal Care								
Clothing								
Bank Fees/ Postage								
Entertainment								
Books/Music/ Video								
Cigarettes/Alcohol								
Gifts/Cards								
Home/Garden								
Church/Charity Contributions								
Other								
Other								
Other								
<b>Monthly Totals</b>								

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## Budget Overview:

Income \_\_\_\_\_ Expenses \_\_\_\_\_ Balance (+/-) \_\_\_\_\_

## Budget Guidelines

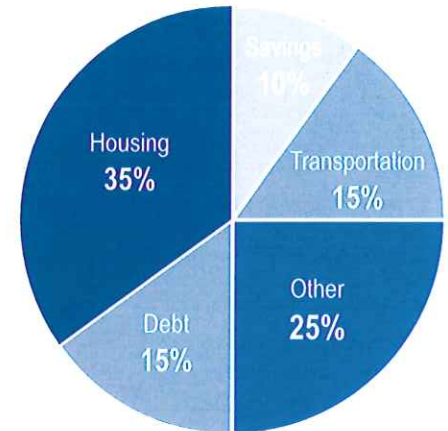
**Housing** – Spend no more than 35% of net income on housing. Depending on whether you rent or own, that can include: mortgage/rent, utilities, insurance, taxes, and home maintenance.

**Savings** – Save at least 10% of income throughout your working life. Make sure you have 3–6 months income in an emergency fund before you start saving for other goals.

**Transportation** – Spend no more than 15% of net income on transportation. That includes: car payment, auto insurance, tag or license, maintenance, gasoline, and parking.

**Debt** – Spend no more than 15% of net income on all other consumer debt: student loans, retail installment contracts, credit cards, personal loans, tax debts, and medical debts.

**Other** – Spend no more than 25% of net income on all other expenses: food, clothing, entertainment, childcare, medical expenses, tithing/charity, and vacations.



## Adjust Your Plan

If the amount you are now saving falls short of the amount you need to save to reach your goals, here are some questions to ask yourself:

- Are you paying yourself first by putting away at least 10 percent of your after-tax income?
- Could you increase the amount you're saving by earning more or spending less?
- Did you set reasonable, achievable goals?
- Could you delay the target date of any of your goals?

You should reevaluate your spending and savings plan annually, or whenever there is a big change in your financial wants and needs. Remember that a budget is simply a priority list—by following it you are ensuring that your money is used to acquire the things, or reach the goals, that are most important to you.



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## A Plan for Managing Your Money

**Did you know that you can “get more bang for your buck” by planning?** Think about these questions. Do you sometimes find that you: run out of money before the end of the month; are unable to pay bills on time; or you cannot seem to get the things you need and want? Perhaps it is time to make a spending plan (budget) for managing your money. You may not always have enough money. However, a spending plan will help you and your family feel more in control of your money.

To manage your money successfully and “get more bang for your buck” think about your family situation and ask yourself:

- ◆ What goals do I/ we have for using my/ our money?
- ◆ What things do I/ we need and want?
- ◆ How much income do I/ we have?
- ◆ What expenses do I/ we have?
- ◆ What resources can I/ we use along with or in place of money?
- ◆ How do I/ we make a spending plan?
- ◆ How can I/ we adjust my/ our plan and stretch my money?
- ◆ What can I/ we do to save and/ or change the way I/ we currently spend money?

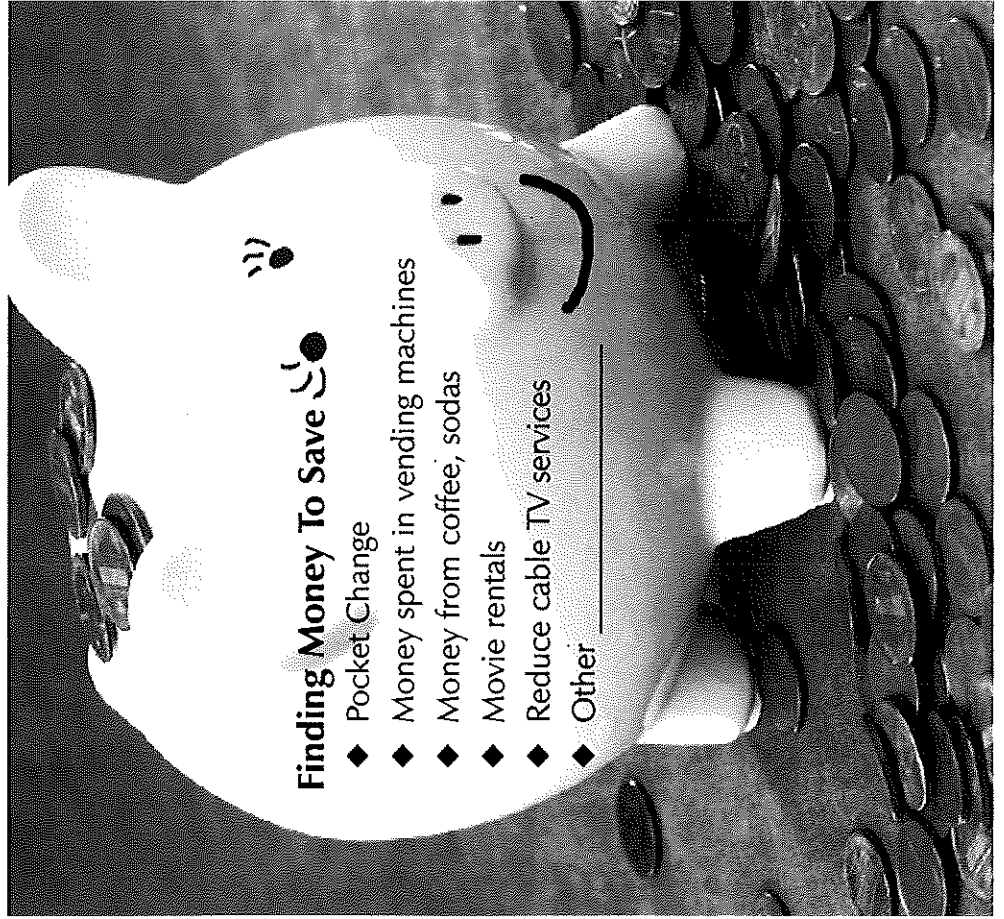
### **Let’s get started!**

Your spending plan will be built around the needs of your household members. For families with more than one person, talking together is important. Talk to family members about your financial situation and your spending plan.

What goals do you and your family have for the use of your money? Goals are things that you strive for because they are important to you. They may be short-term (1-2 months or a year) or long-term goals (1-2 years or more). Perhaps you would like to have next month’s rent; catch up on the phone bill; save money each month; or get a car. You may have other goals. To reach your goals you must plan and take action.

**Remember if your spending plan doesn't balance** the first time, **KEEP WORKING ON IT.** Look for ways to use money and other resources to get the things that you need and want. If there is not enough money, you or a family member may be able to earn extra income.

Even with lots of effort there are times when you may not have enough money. However, continue to identify resources and adjust your spending plan to help you get on the right track. **BELIEVE THAT YOU TOO CAN DO WELL AT MANAGING YOUR MONEY!**



List your goals and action steps below:

My Goals	Date to Achieve	Action Steps to Reach Goal
Example: Get a clothes washer	3 months	Get information; compare cost of both new and used; use money from EITC (Earned Income Tax Credit)

**Next** - Think about what you need and want. Needs are essential for your daily life; they include food, clothing, and shelter. Wants (“extras”) may help you to meet a need with more style or comfort. Examples of wants might be designer clothes, eating out, or getting your nails done professionally. One person’s wants may be another person’s needs. One person may need a cell phone for safety reasons. Another person may want a cell phone, because their friends have one. List your needs and wants on the next page. Rank the items - with Number 1 being the most important. Remember to take care of your needs (necessities) first. You will refer to your lists on the next page as you make your spending plan.

**Needs:** (Example: Pay rent)

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**Wants:** (Example: Buy the latest, designer athletic shoes)

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**Now** – Think about **Resources**. Resources can help you get some of the things you need and want. Resources include: **money, time, energy, talents, skills, ability, material goods, and community resources**. Use your resources such as your time, energy, and talents to make money (for example, your talent for making craft items that you can sell). What resources do you have that can keep you from spending money or can reduce the amount of money that you will have to spend? Could you develop better shopping skills to save money, or do someone’s hair in exchange for babysitting where no money is used? Or do you qualify for assistance such as food stamps, childcare, medical assistance, energy assistance, etc.)? List all of your resources below. Consider how you can use all of your resources when making your spending plan.

**Example:** I can use my time, energy and skill to grow a garden that will provide fresh vegetables. These vegetables will last many months and will reduce my grocery bill.

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### Find Ways To Stretch Your Money

- ◆ Shop wisely.
- ◆ Learn to do home repairs, hair care, and other services yourself.
- ◆ Make do with less.
- ◆ Use resources other than money.
- ◆ Use less energy – wash and dry full loads of laundry.
- ◆ Avoid waste, and limit the use of disposable products (for example, paper towels, disposable plates, etc.). This way, you will save money and the environment. Teach children not to waste food, household items, etc.
- ◆ Get consumer information to help you make good choices and decisions. Read *Consumer Reports* at the library.
- ◆ Take care of the things you own so you will not have to replace them as often.
- ◆ Use the library for books and videos. Take the children to story hour.

### 5. Evaluate Your Plan and Take Action.

Think about your goals. Review this plan and rethink your goals. Make a plan to take action. Write your money goals below.

### My Money Goals

**Example:** Starting next month, I will not spend \$15.00 in the vending machines at work. I will add some money to my savings.  
 How: I will purchase a large box of snacks at the discount store to take to work (\$6.00); use \$4.00 to help pay my telephone bill; and put \$5.00 into my savings.

1. My goal: \_\_\_\_\_  
 How: \_\_\_\_\_

2. My goal: \_\_\_\_\_  
 How: \_\_\_\_\_

### 3. Subtract Expenses from income.

Total Income (from page 4) \_\_\_\_\_  
 Minus Total Expenses (from page 5) - \_\_\_\_\_  
 Equals = \_\_\_\_\_

**4. If money is left .... Great!** Use some or all of the extra money for savings. It is important to save so you will have money in case of emergencies.

If you have more expenses than income, you will need to cut back on expenses, and / or look for ways to earn more income.



### Look For Ways To Cut Back On Your Spending

\*Review your list of expenses from the expense section and the ways you can cut back.

- ◆ Keep a log of what you spend – stop buying items that you don't need.
- ◆ Set priorities – pay for or purchase essential things first.
- ◆ Review each expense – think about how it can be reduced (plan meals carefully and shop with a list; drive less and use less gas; caulk and weather-strip your home to save on energy bills). If you rent, ask the landlord to make energy changes to the home.
- ◆ Can you get some things by using little or no money (do your own hair – use community resources such as parks, libraries, and community events for entertainment)?

## Making My Spending Plan

### 1. List All Income.

The amount you have to spend each month is your monthly net income. List all the income you take home each month on a regular basis and the amounts. If you get money weekly, add the amount of money for each week to get a monthly total. Total the amount of all income you receive.

Income	Monthly Amount
Paycheck	
Paycheck (2nd job or 2nd person)	
Assistance	
Child Support	
Social Security	
Pension/ Retirement	
Unemployment:	
Other:	
Other:	
<b>Total amount of Income:</b>	

### 2. List Expenses.

List how much you spend each month and the amount. You may not have each expense listed on the next page. If you have others, list them. If you have housing assistance, medical assistance, or other types of assistance, write only the amount you pay each month. Also write how you can reduce the amounts you pay. You may come back to this column later. (Note: You may not be able to reduce every expense). Total the amounts you pay.

### Get More Bang For Your Buck Expense Worksheet

Monthly Expenses	Amount	Ways I Can Reduce Expense
<i>Example:</i> Clothing	\$50.00	Use what I have; shop at a discount or thrift store; get essential items this month and others later
Rent / Mortgage		
Electricity / gas		
Water & Sewer		
Telephone / Cell Phone		
Food (at home)		
Food (away from home)		
Transportation (bus)		
Transportation expenses – Auto		
Gas, Maintenance		
Insurance		
Life		
Health		
Auto		
Apartment / Home		
Clothing		
Personal care items		
Daycare		
Loan payments / Credit card		
Medical / Doctor bills		
Medicine		
Cable TV / Satellite TV		
Entertainment (videos, movies, etc.)		
Education / Student loans		
Contributions / Church		
Savings		
Other (list)		
Other (list)		
Other (list)		
<b>Total Expenses</b>		

## Small Costs Add Up! How Much Money Are You Kissing Goodbye?

### Are you curious about how much you could be trading off for convenience and a bit of enjoyment?

The answer may astound you. What I've done is a simple exercise that shows what would happen if we seriously account for the common money drains that besiege our budget. When taken into totality, our vices, habits, impulse purchases and daily fixes can amount to some huge numbers!

But keep in mind that many times, what we consider as a "waste" or money drain can be classified as a guilty pleasure. We may want to ask ourselves if we're willing to give some of these up for the resulting savings.

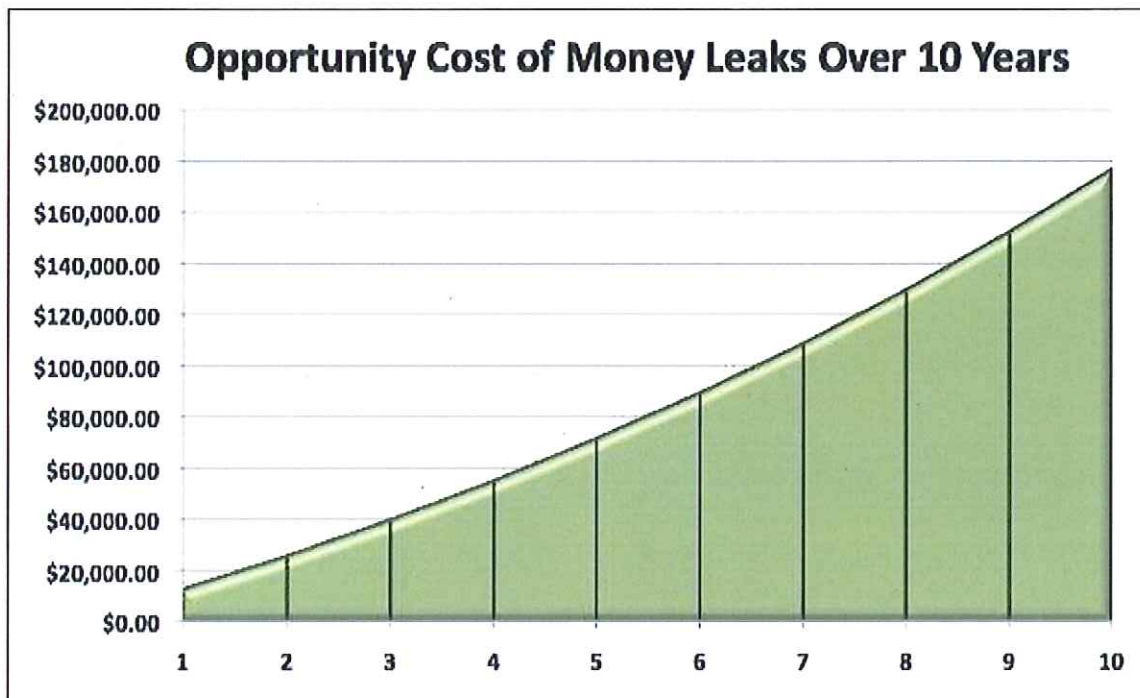
I've worked out an approximate picture of how much money can fall by the wayside by putting together this table and graph based on Bankrate's and [AOL's](#) discussions on well-known money drains.

*The table shows the total annual cost of all the money drains combined, plus what your savings would amount to if you invested those savings at [an annual rate of 8%](#), compounded monthly over 10 years.*

Money Drain	Average Price	Estimated Annual Cost	Future Value In 10 Years*
Coffee	Average price of brewed coffee: \$1.38	One coffee each week day costs around \$360 annually.	\$5,488
Gum	Average price for one pack: \$1	Chew a pack a day for a year: \$365	\$5,488
Cigarettes	Average price for a cigarette pack: \$4.54	Pack-a-day smoker's annual cost: \$1,660 Weekend smoker's annual cost: \$236	Pack-a-day smoker's cost: \$25,247 Weekend smoker's cost: \$3,659
Alcohol	Average: \$5 per beer (includes tip)	One beer a day, annual cost: \$1,825	\$27,807
Bottled Water	One 20 ounce bottle costs \$1	One bottle a day for a year: \$365	\$5,488
Manicures	Average cost: \$20.53	Weekly manicure, for a year costs \$1,068 a year	\$16,282
Car washes	Average cost: \$58	Cost of detailing every 2 months, for one year: \$348	\$5,305
Weekday lunches out	Daily lunch: \$9	Weekday lunches for one year: \$2,350	\$35,857
Junk food, vending machine snacks, soda	Average snack: \$1	Afternoon snacks for one year costs \$260	\$4,025
Credit card	Median amount of credit card debt is	Minimum payments will take 21 years to pay off the debt,	

interest charges	\$6,600. Standard rates average 13.44%.	costing \$4,868 in interest.	N/A
Unused memberships	Monthly service fees: \$35 to \$40	Per year, unused memberships cost \$480	\$7,318
Expensive salon visits: fake nails	Fake nails cost \$500 to \$600	Getting them done once a quarter for a year costs \$2,000 to \$2,400	\$30,552
Premium gas	At 20 cents more for premium, pumping 20 gallons of it instead of regular would cost \$4 more.	Annually, that's a difference of \$171 for a vehicle that averages 14 miles per gallon as some big sport-utility vehicles do and is driven 12,000 miles a year.	\$2,561
Lottery	Typical cost: \$10 a week	For one year: \$520	\$7,867
Direct TV	A basic program can run \$100 a month	\$1,200 a year	\$18,295
<b>Total</b>		<b>\$11,548 a year</b>	<b>\$175,994</b>

*\*Future Value is calculated using an 8% annual rate of return over a period of 10 years, compounded monthly.*



In one short decade, these small, regular expenditures add up to around \$175,000. Throw in a few more



costly habits and petty charges and your “lost” savings can amount to over \$200,000! If the investment climate over the next 10 years turns out to be kinder than it has been recently, **a higher rate of return can yield an even larger sum.**

## **Other Money Drains That Can Add To A Lot**

If the small stuff can lead to such significant missed savings, what about the larger money leaks that we fall prey to? Some examples:

### **#1 Unnecessary upgrades**

If you’re an early adopter of technology, you could be spending more than you should on [electronic and gadget upgrades](#). Or what about room upgrades when you’re on vacation? Unless it’s a free upgrade, you may want to think twice about paying extra.

### **#2 Package deals or unneeded extras**

I’ve got a relative who bought a new car and who got suckered into paying for a \$2,000 cleaning kit for the car. After two years, he’s hardly touched the kit.

### **#3 Extended warranties**

Have you ever successfully used any of your extended warranties? How many times have they expired without being applied? Don’t pay for these.

### **#4 Buying stuff on sale you don’t use or need**

I know people who rationalize that buying stuff on sale means they’re [saving money](#). I don’t agree — you’re only saving money if you buy stuff on sale you really need and use. If you’re hoarding things you’ll never use, you’re just wasting your hard-earned money and adding to clutter in your home.

### **#5 Bulk purchases**

Buying in bulk only makes sense if you can successfully consume everything (or most of what) you buy. Otherwise, it’s just waste on all counts.

### **#6 Free money that isn’t free**

How often do you come across free offers that later on snag you for monthly dues? Too often. I signed up for free stuff on a few occasions but have since learned my lesson: the book club selections and free magazines may sound great at first until you can’t stop them from arriving at your doorstep! The catch was that I ended up owing money on items received after the “free period” was up.

# MY NEW MONEY GOAL

Sometimes we set new goals, have changes in income, or switch priorities in our lives. Making a plan is the easiest way to navigate these changes.

You wouldn't start a road trip without mapping it out first, and the same is true with your finances. This guide will help you gain a clear view of where your money goes now so you can more easily decide where you want it to go in the future.

These are  's goals as of  /  /

YOUR NAME MM / DD / YYYY

## 1 What is my new money goal?

I want \$  by  /  /

GOAL AMOUNT MM / DD / YYYY

*Keep this in a visible place, like on your refrigerator or near your desk to remind you of your new money goal!*

because I want to save for

WHAT ARE YOU SAVING FOR?

## 2 What am I saving now?

List your savings goals in the spaces below. Include some money for retirement and rainy days. Try to give each goal a dollar amount and set a target for when you'd like to reach each goal. Then write down the monthly amount

you'll need to reach your goals. After completing the income, savings, and expenses sections on the pages that follow, write down how much you plan to commit this month.

Priority	Goal	Total needed	Months to goal	Monthly amount	This month's commitment
	Emergency savings				
	Retirement				
	My new goal				
	Other:				
	Other:				
	Other:				

### 3 What are my sources of income?

List your sources of income. Include wages, salary, tips, government benefits, investment income, etc. List your actual take-home pay for last month in the **month 1** column.

Under **month 2**, list the income you expect for this month. Enter any difference between the two. At the end of this month (**month 2**), write down your actual income and compare it to the amount you expected.

Source	Month 1	Month 2	Difference	Actual
Total				

### 4 What are my expenses?

List your expenses by category in the **expense** column in the table on right. Continue your list on additional sheets of paper if more space is needed.

Here is a list of sample expenses to help get you started. Create your own categories as needed.

- **Home** mortgage, rent, utilities, telephone, maintenance.
- **Debt** credit cards, loans.
- **Food** groceries, restaurants, take-out, coffee, snacks.
- **Family** day care, child support payments, alimony payments, tuition, school supplies, activities, clothing, laundry and dry cleaning, allowances, toys.
- **Transportation** fuel, parking, tolls, public transportation, maintenance, car insurance.
- **Health** doctor visits, dentist, medications, insurance, personal care items, gym memberships.
- **Entertainment** movies, events, books, subscriptions, music, and movie or game rentals.
- **Miscellaneous** charity or tithes, gifts, pet food and supplies.



## 5 What is my new money goal?

Total your **month 1** income and expenses. Then subtract the expenses from your income to see what's left over.

Last Month:    \$     —    \$     =    \$

TOTAL INCOME                      TOTAL EXPENSES                      WHAT'S LEFT?

## 6 Budget for the coming month

Are you spending more in some areas than you thought? What changes do you want to make? Enter your future spending targets in the **month 2** column of your expenses list.

Keep track of the difference between your **month 1** and **month 2** expenses in the difference column. Enter your **month 2** total budgeted income and expenses on the lines below.

This Month:    \$     —    \$     =    \$

BUDGETED TOTAL INCOME                      BUDGETED EXPENSES                      MONEY TO PUT TOWARD  
YOUR TOTAL GOAL

## 7 See how you did & make adjustments

At the end of the month, list what you spent and compare your real-life numbers to your projections.

You may not hit all your targets the first month. That's okay. No one can predict the future. But now you have been working toward your goals for at least a few weeks. You've probably made some progress. So make a few tweaks and try again.


### About us

The CFPB is focused on making consumer financial markets work for families by enforcing federal consumer laws and by empowering consumers to take more control over their financial lives. We are working to foster a marketplace:

- Where customers can see prices and risks up front and where they can easily make product comparisons.
- In which no one can build a business model around unfair, deceptive, or abusive practices.
- That works for American consumers, responsible providers, and the economy as a whole.

### Contact us

 **Website**  
consumerfinance.gov

 **General inquiries**  
Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, DC, 20552

 **Submit a complaint online**  
consumerfinance.gov/complaint

 **Submit a complaint over the phone**  
(855) 411-2372

 **Share your thoughts**  
facebook.com/cfpb

 **Share your thoughts**  
twitter.com/cfpb

# 10 Tips to Eat Well for Less

**1** Check newspaper ads each week to see what's on sale. Plan meals using those foods. Avoid ready-to-eat food, such as frozen meals. They usually cost more.

**2** Build the main part of your meal around grains, such as rice and noodles. Buy regular rice and oatmeal instead of the instant and flavored kinds. They cost less. Use only small amounts of meat.

**3** Buy food in bulk. You can get just the amount that you need. This is a great way to try a new grain when cash is tight.

**4** Use your leftover food instead of throwing it away. Freeze leftover vegetables and use them in soups. Use ripe bananas to make banana bread. Use ripe fruit to make a smoothie.

**5** Check your shelves and the refrigerator before you go shopping. Be sure to look for leftovers. Then, make your shopping list. Buy only what is on your list.

**6** What do you throw out most? Buy less of it next time.

**7** Buy less fast food. Go to the drive-through less often.

**8** Read labels. The first three ingredients on the label tell you what you are buying. Do you see healthy ingredients listed first, or sugars and fat?

**9** Think before you buy. Don't buy something near the check-out line. Those items cost more. Don't buy something just because you have a coupon. Use coupons only for food you really need.

**10** Drink tap water. Buy a drinking bottle and fill it up again and again. You will soon save back the money you spent on the bottle. You've helped the environment, too.



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To learn more about best buys, see the OSU Extension Service fact sheet "Tips for Healthy, Thrifty Meals" at <http://extension.oregonstate.edu/nep/osu-edmaterials#SFD>

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# 10 Tips to Lower Electric and Water Bills

**1** Set the thermostat in your house to be 5 degrees warmer in summer or 5 degrees cooler in winter.

**2** Find air leaks (such as around windows and doors). Fix them.

**3** Replace old light bulbs with compact fluorescent lights (CFL). Look up **free CFLs Oregon** on the Internet to find bargains.

**4** Turn off the lights when you're not using them.

**5** Air dry your clothes on a hanger or outdoors on a clothesline.

**6** Do less ironing. When you shop for clothes, crumple the fabric in your fist. If it wrinkles, don't buy it.

**7** If you own your home, contact your electric company to ask for a free home energy review. You may be able to get a free low-flow shower head and energy saving light bulbs with the review!

**8** Get a low-flow shower head. Ask your local water district for one—it should be free.

**9** Wash your clothes less often. Most of our clothes don't need to be washed each time we wear them. You can air them on a hanger to freshen them. When it's time to wash clothes, do full loads.

**10** Here's how to cool your house in the summer. If you wake up early, open the windows and let in the cool air. Before the day warms up, close the windows tight to keep the cool air in.



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# 10 Home Tips for Today's Lean Times

**1** Start saving coins in a jar. Count it up each month. You'll be surprised how much money there is.

**2** Set an amount that's fair for your children's allowance. Be clear about what things they must buy with their own money. Kids are more careful when it's their own money to spend!

**3** Share rides or use buses and trains when you can. Walk or ride a bicycle instead of using a car for short trips.

**4** Share or borrow tools that you don't use often. Ask your neighbors to see what you all can share. Make rules for sharing tools, such as to return the tool clean and in good shape.

**5** See if some neighbors want to share newspapers and magazines.

**6** Trade child care with other parents. Or, try to arrange work times so one parent can be home while the other works.

**7** Clear all the extra things from your home. Open each closet and drawer. Throw away things that are broken and can't be fixed. If you find things that can be used but you don't want them, then you could do one of these things:

- Trade it for something you can use.
- Sell it.
- Give it someone who would use it.
- Give it to a thrift shop.

**8** If you get catalogs in the mail, call the phone number on the catalog. Ask them to take your name off their list. Then, recycle the catalog right away.

**9** Stay healthy. Eat well, exercise, and get enough sleep.

**10** Look for public clinics and low-cost immunizations at local health fairs or the county health department.



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# 10 Things Kids Can Do in Tough Times

**1 Don't ask for new things.** Be a cheerful family member. Think before you complain. Before you ask for something, think whether you really need it. Give lots of hugs.

**2 Help prepare meals at home.** Learn to cook some foods. Help set the table or clean up after a meal. Open and close the refrigerator fast so the cold doesn't get out.

**3 Take good care of your clothes.** Hang them up or fold them. If they are still clean, wear them more than once before washing. Learn to sew enough to make simple repairs.

**4 Do your best in school.** That will make you and your family feel really good. If you drive, good grades can lower the cost of car insurance. If you want to go to college, good grades help your chances for a scholarship.

**5 Help your family save money** by not asking them to drive you places. Ride a bike or walk when you can.

**6 Saving energy saves money.** Turn off lights, TV, or computer when no one is using them. Turn off water that is running or dripping from a faucet. Close outside doors to keep the house warm in winter and cool in summer. Help recycle what your family uses.

**7 Help someone else.** Help at day camps or special events. Help sort food at the food bank. Help clean up your neighborhood.

**8 Plant or help take care of a food garden.** You can use a container to plant in, if there isn't a garden spot. Share extra food you grow with a neighbor or a food bank.

**9 Ask your grandparents or a family friend if they have been through tough times before.** Write a story about what they tell you. Play cards or board games with them. Do some chores for them.

**10 Find ways to have fun that don't cost much money.** You can borrow videos, books, games, and music from the library. Learn a new skill that's fun for you. Teach your skills to someone.



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# 10 Tips to Spend Less on Household Goods

**1** You can reuse plastic bags you get from the grocery store. You can even reuse the ones inside cereal boxes. Don't reuse bags from any kind of meat.

**2** Make soap, shampoo, and toothpaste last longer. For example, you only need a squeeze of toothpaste the size of a pea.

**3** Try using less detergent in your washing machine and dishwasher.

**4** You can use white distilled vinegar or baking soda for many household cleaning jobs. Read the labels for ideas.

**5** When you buy new or used clothes, read the labels to see if they can be washed. Don't buy clothes that must be dry cleaned.

**6** Spend about \$20 on a battery recharger. Over time, replace your used batteries with the kind you can use over and over again.

**7** Wash and repair your clothes instead of buying new ones.

**8** Pamper yourself at home. Do your own hair and nails. Buy a pair of hair-cutting scissors, and cut your children's hair yourself. Look for videos at the library that can teach you how.

**9** Use a dishcloth to clean up around the kitchen instead of paper towels. Be sure to wash the dishcloth in hot soapy water after you use it.

**10** If you use paper towels, tear them in half for small jobs.



# 10 Tips for Low-cost Indoor Family Fun

1 Read stories to each other.

2 Bake or cook together.

3 Have a family game night. Trade games with other families that have children the same ages as yours. Set up a play area, pop some popcorn, and learn new games.

4 Set up a puzzle to work on. Everyone can work on it as they pass by during the day. And, you can choose times when the family can work on it together.

5 Your local library has games, free Internet, movies, music CDs, and audio books (books on tape or CD). They have magazines, newspapers, and books, too. If you can't find what you're looking for, ask someone who works there. Often, items can be sent from some other library—sometimes for free.

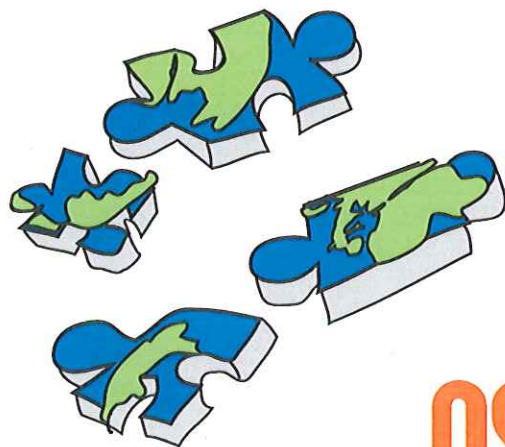
6 You can get into many museums free on certain days of the week or month.

7 Teach children crafts you enjoy. Spend time doing them together.

8 Choose a topic the whole family would like to know about. Look it up together on the Internet.

9 Get together with friends once a month for a potluck. Make a pot of soup or stew and ask others to bring side dishes. If there are a lot of small children, all the parents could share the cost of a babysitter to be there too. That way, you can have some "adult time" after the meal.

10 Is there a college nearby? See if there are free concerts, lectures, or events.



# 10 Tips for Low-cost Outdoor Family Fun

**1** Borrow books on stars and planets from the library. On the next clear night, take a walk to look at stars and planets in the sky.

**2** Play soccer, softball, or basketball with friends at a local school (on the weekend or a summer evening).

**3** Teach children how to garden.

**4** Take a walk or hike in nature. Do you want to know the names of trees and plants? Bring along a guidebook from the library.

**5** Go to the local dog park. It's fun to watch the dogs play.

**6** Go on a family bike ride. Let everyone take turns choosing the route.

**7** Pitch your tent and go camping in the back yard.

**8** Tour a farm, business, or factory. See what you can find that's not far from your home. Be sure to call first to make plans with the owner.

**9** Help at an animal shelter. Be very clear with your children that no animals are coming home with you.

**10** Make kites from materials found around the house. Go out and fly them!



# When Your Income Drops

# Moving Forward

**E**xperiencing a loss of income can be devastating. Perhaps you have been laid off, lost crops to bad weather, suffered a lean year with your small business, or the cost of living has increased to the point where your income is no longer adequate. Getting by with less may seem like an impossible task. You may feel like you are all alone and that you have nowhere to turn for help.

**You are not alone.** According to the Bureau of Labor Statistics, between the ages of 18 and 40 the average person works 10.5 different jobs and experiences unemployment 4.9 times. At any one time, some two to five million people are out of work. That does not include individuals who work fewer hours or earn less for other reasons.

Unemployment and other economic challenges are so common that federal, state, and local governments and non-profit organizations offer a variety of resources to help you through hard times. In addition to government programs, many community organizations offer assistance and support that can make a big difference. Friends and family members—your support network—are also invaluable.

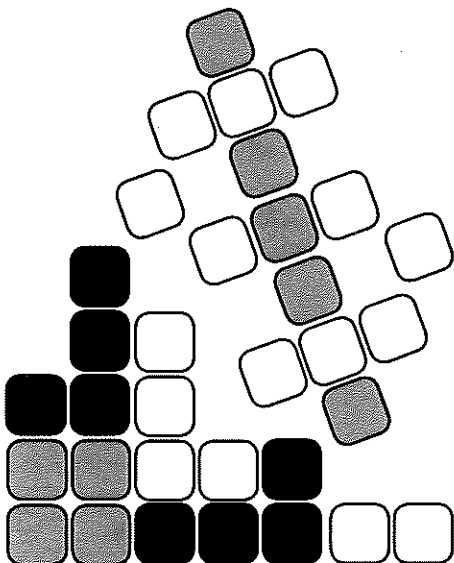
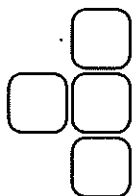
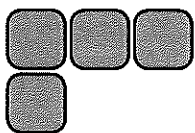
Making ends meet can be a challenge during the best of times. When there is less money, making ends meet becomes even more challenging. However difficult it may be, you can do it. People can and do survive, and many times wind up better off afterward than they were before. The keys to success: think positive, consider the possibilities, and MAP OUT your plan.

## Think Positive

It does not matter why your income dropped. It happened. Now you have to deal with it. There is little to be gained right now trying to figure out what went wrong, who was at fault, and what you might have done differently. Those are certainly important questions, and at some point you will want to give them some thought. But for now, your first priority is looking ahead and planning how you will weather the storm.

Having a positive attitude makes a big difference. Positive thinking during hard times sets a good example for your children to follow when they encounter adversity. An attitude of gratitude is critical when interacting with others including helping agencies, potential employers, and creditors. Believing in yourself and your ability to handle whatever comes your way is half the battle. A positive outlook tends to draw people to you, and make them want to help. It is also more likely to lead to opportunities that can make a difference.

Your journey will not be easy. There are many tough choices and challenges ahead. Once you get to the other side, however—and you will—you may find that the current crisis was a blessing in disguise. This crisis may be the opportunity to start down a new and more interesting path. It may even turn out to be the best thing that ever happened to you.



# Consider the Possibilities

A perfectly natural reaction during a crisis is to focus on the present. "Get me through today and then I will worry about tomorrow." During a crisis it is easy to get so caught up in the day-to-day details that you get pulled in one direction and then another. Even though dealing with the day-to-day details is important, you need to have a long-term plan to resolve the crisis. Knowing where you want to go enables you to include activities in your daily planning to help you to reach your destination. Consider the possibilities. You do have choices.

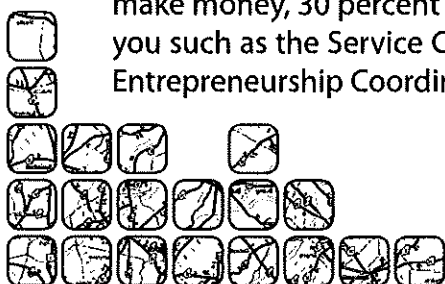
**Simplify Your Lifestyle.** No matter what choices you make, some things will have to go, even if only until things get better. Cutting back on spending can be the solution, too. You can decide to just adjust to the loss of income by changing the way you live. If your spouse or partner still works, it may be possible to cut back to one vehicle, eliminate child care expenses, and make other adjustments to reduce spending to the point where you can make it on just one income.

**Temporarily Work a Second Job.** You might be able to work a second or part-time job long enough to pay down debt or otherwise reduce expenses so that living on less is more do-able. Think creatively. There are many ways to supplement your income. You could mow grass, baby sit, walk dogs, clean homes or businesses or work part-time in a fast food restaurant. Knowing the extra work is temporary rather than permanent makes the sacrifice more bearable.

**Find Another Job.** If you have lost your job, finding another job is really the only option for most people. Finding another job can be a challenge, depending on your situation. In rural areas, during rough economic times, or when your skill set is very specialized there may not be any comparable positions available. You may need to develop new skills to compete for local jobs, and that often means starting at the bottom of the pay scale again. Relocating for a position like the one you had poses different challenges. Perhaps your skills are in such high demand in another area that a long-distance move makes sense.

**Return to School.** Education pays. Financial aid is often available—particularly for trades and professions that cannot find qualified workers. Think more broadly than colleges and technical schools. It is possible to work as an assistant or apprentice to learn some trades. The Georgia Department of Labor has career centers, one-stop shops, and vocational rehab offices around the state with information and assistance to help you.

**Start Your Own Business.** More than two-thirds of small businesses start as very small operations operating out of the owner's home with no additional employees. According to the National Federation of Independent Businesses (NFIB), about 39 percent of small businesses make money, 30 percent lose money, and 30 percent break even. There are resources to help you such as the Service Corps of Retired Executives (SCORE), the Georgia Small Business and Entrepreneurship Coordinating Network, and Small Business Development Centers.



# Map Out a Plan

A positive attitude and ideas about the possibilities for a new future are a good start, but will not go very far toward getting your bills paid. You need to assess your situation—MAP OUT the situation so you can see where you are, where you need to go, and how you will get there. Your assessment should include:



**Magnitude.** How much of your income did you lose? Losing half your income is much harder to deal with than losing a fourth of your income, but not nearly as tough as losing all of your income. Coming up with a reasonably close estimate of the percentage can be useful as you move forward. Of the income you lost, how much do you need to replace?

**Assets.** What do you have to get you through the hard times? Obviously this includes bank accounts, property you own, and your investment portfolio. Some assets, such as your home, may serve as collateral for loans. Equally important is the human capital you have to work with—the skills, talents, and the special abilities of you and family members that you can exchange for cash.

**Priorities.** What's most important? Prioritize your assets with an eye toward those you could easily part with should the need arise and those that you'd prefer to hold onto until you have no other options. You will also need to prioritize your spending needs. Setting priorities is a difficult but critical step to getting through the current crisis.

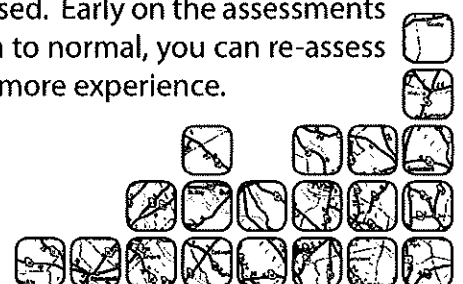
**Options.** What choices do you have? Be sure to include resources outside of your home and family. Faith-based organizations and other community resources can make a big difference. While you are still figuring out what to do, it's best to include all your options just in case they are needed later.

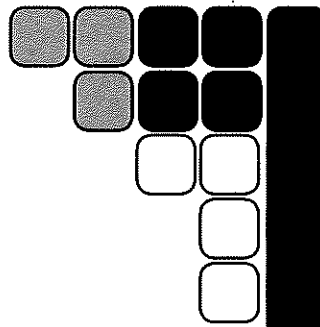
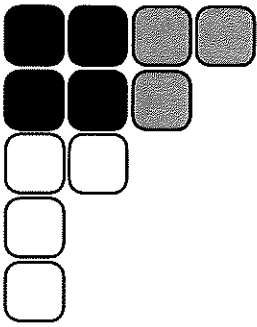
**Unexpected.** What will you do if an unexpected expense comes up? It is unlikely you planned for this loss of income. No matter how much you plan, things happen along the way that you could not possibly anticipate. That will not change. Think about this before you completely deplete any emergency savings.

**Timeline.** How long can you get by with the resources you have? To help you survive the weeks and months ahead, you need to know when your bills are due and when income (if any) is expected. If you usually pay all your bills once a month, you may need to change your habits for a while. If your money is earning interest, you may want to pay your bills at the last possible moment to avoid late fees and additional finance charges.



You will need to assess your situation periodically until the storm has passed. Early on the assessments might take place every few days. As things stabilize and begin to return to normal, you can re-assess less often. The first time is always the hardest. It gets easier as you gain more experience.





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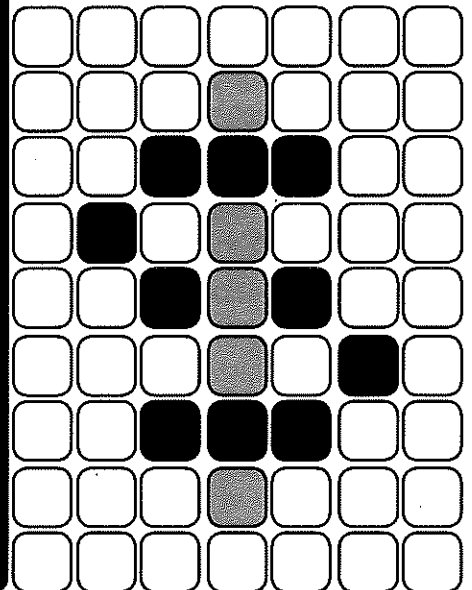
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# When Your Income Drops

# What About Your Assets?

**A**n asset is something you own that has value. Now that you are living on less, it is tempting to cash in your assets to pay the bills and make ends meet. Before you start cashing in, think about the types of assets you have and the long-term implications of cashing them in.

Your most important asset is the human capital of you and other members of the family. Your education, special training, skills, talents and other abilities can be exchanged for cash. Whether you use your human capital for barter, for odd jobs around the neighborhood, for a part-time job or a new job, it is the asset that will be most important in moving you forward and out of the current crisis.

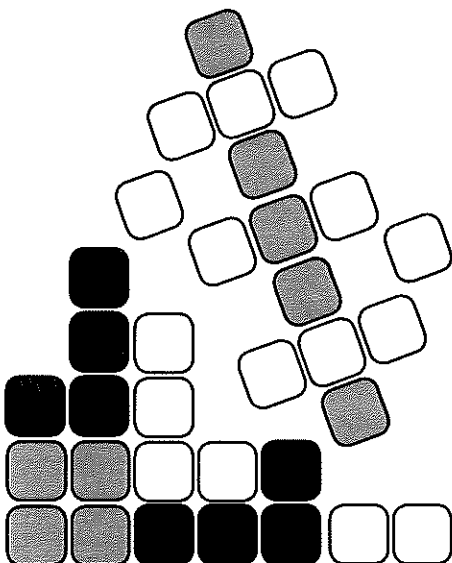
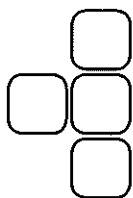
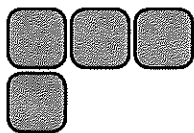
In addition to human capital, you have three kinds of financial assets. *Liquid assets* can easily be converted to cash without a loss in principal, like checking and savings accounts, money market accounts and funds, and short-term certificates of deposit (CDs). *Investment assets* are those you have set aside to earn income and gain value for the future, like stocks, bonds, mutual funds, real estate, and accounts specifically designed for education expenses or retirement. *Tangible assets* are not easily converted to cash and include your home, automobile, and other personal property. It is important to consider the type and value of your assets before you use them to help you make ends meet.

## Liquid Assets

Financial experts recommend that you keep three to six months of living expenses in an emergency savings fund. If you have an emergency savings fund, it will help you through this crisis. You may have nothing more than the change in your piggy bank. Hopefully you have money set aside for emergencies in a savings account, money market account, money market mutual fund, or short-term certificate of deposit (CD) that you can withdraw when you need it. If you have extra money in your checking account, use it first so your savings can continue to earn interest for as long as possible.

Once the excess money in your checking account is gone, the next place to go is your regular savings account. Make sure you understand the terms, such as any limits on withdrawals or minimum balance requirements. It may make sense to transfer the money into your checking account and close the savings account to avoid paying monthly service charges or fees for extra withdrawals. Every penny counts.

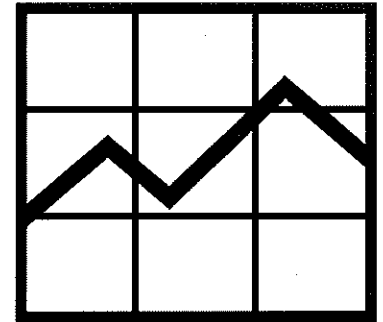
Money market accounts and money market funds can be accessed once you've depleted your regular savings account. Check to see if there are minimum balance or withdrawal requirements or limits on the number of withdrawals you can make. If so, estimate how much money you will need and transfer that amount to your checking account. You want to make as few withdrawals as possible to avoid paying any fees. If you have Certificates of Deposit, withdrawing money before the maturity date means you will not receive as much interest as you would if you can wait until it matures.



# Investment Assets

The long-term goals that you are investing for probably have not changed. You want to make sure the current short-term crisis does not interfere with your ability to reach your long-term goals. If your situation does not improve however, using assets that you have set aside for future purposes may become necessary.



Investments set up on your own that are not part of an IRA or company retirement plan are good first choices. Which of your stocks, bonds, or mutual funds you decide to liquidate will depend on how that investment is currently performing in the market. Carefully consider the tax implications of any sale.





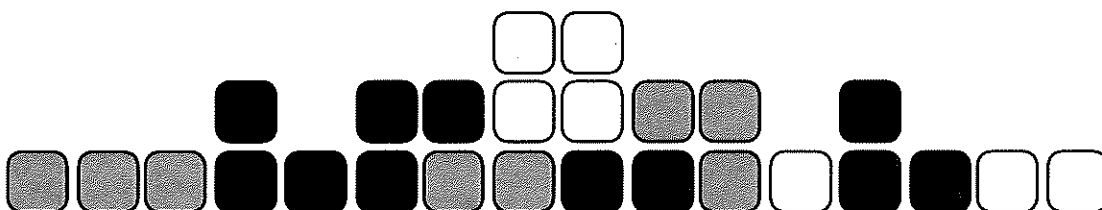
How you choose to use your investment assets in accounts for specific purposes depends on your situation and how long you expect your income to be reduced. If you have a spouse and small children, life insurance may be more important right now than your retirement accounts. If you do not have children, you may opt to use the cash value of your life insurance policy. If your children are young, you may decide to take money from their education accounts. Unless you have reached age 59 1/2, cashing in certain retirement accounts will mean you have to pay income tax on the amount you withdraw and a ten percent penalty for early withdrawal. The best option really depends on your particular situation.

With traditional Individual Retirement Accounts (IRAs), there may be taxes and early withdrawal penalties on what you contributed to the account (if you were allowed to deduct the contributions), and taxes and early withdrawal penalties on the earnings in these accounts. With employer sponsored retirement plans [i.e., 403(b)s and 401(k)s], you can usually withdraw money if you no longer work for the employer, subject to taxes and early withdrawal penalties. Some employer-sponsored plans will allow you to borrow money without tax consequences as long as the money is repaid within a certain period of time.

A Roth IRA may be a good option. You have already paid taxes on your contributions so you can withdraw that portion without having to pay taxes or penalties. There are taxes and early withdrawal penalties on the earnings unless you meet the qualifications to withdraw earnings tax free.

  If you own cash-value life insurance with a significant amount of cash value, using some of the cash value is an option. Borrow from your cash value, and there are no taxes on the money borrowed. If the loan is not paid back, the amount borrowed plus interest is deducted from the death benefit. If you pay back only the interest then the death benefit is reduced by the amount borrowed. Some policies allow you to withdraw a portion of the cash value without surrendering the policy, while others require you to withdraw the entire cash value and surrender the policy. You have to pay taxes on the amount you withdraw that exceeds the total premiums paid in. You can also surrender your cash value life insurance policy, and purchase a term life insurance policy that is cheaper. Make sure you have the new term policy before surrendering the cash value policy.



Educational accounts such as Coverdell Education Savings Accounts (ESAs) and Section 529 plans can also be used, but there are taxes and withdrawal penalties when the money is not used for educational purposes. If you own real estate such as rental property and lose money each month, consider selling it. If you make money each month, you should probably hold on to it. Whether or not you cash in your real estate investments depends on a variety of factors including market conditions, transaction costs, and tax considerations.

Regardless of the type of account you take the money from, consider the tax consequences. If you take money from your retirement accounts, take it from the one with the least tax consequences. For example, if you have a Roth IRA, a traditional IRA, and an employer-sponsored retirement plan, you would withdraw money from the Roth first.

## Tangible Assets



Tangible assets are used to maintain your living situation and often cannot be easily converted to cash. Even so, you do have options. Consignment shops and yard sales are a good way to clear out unused and unwanted items to raise money. Some items, like books, art, recorded music (tapes, CDs or albums), and jewelry may bring higher prices if sold through an online auction site. Personal property typically loses value over time, so you may not get much. Every penny counts.



Own a large vehicle? Consider selling or trading it to get a smaller or older car with a lower car payment. If you have two cars, consider selling one until your situation improves. You will save on gas and may not have to pay as much for insurance.

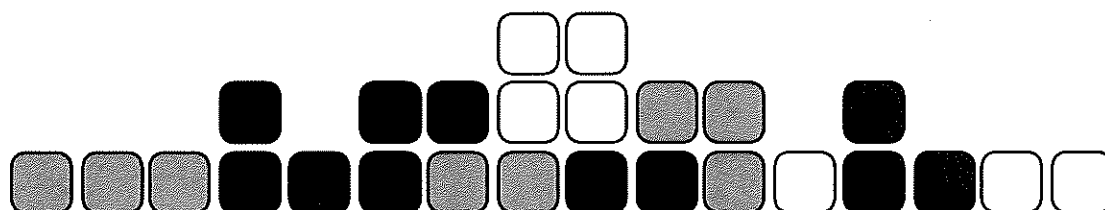


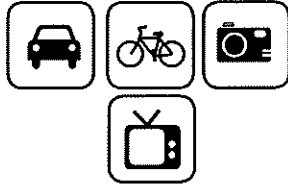
Selling your house and purchasing a smaller home with a lower monthly payment is an option. Extra cash from the sale of your home might mean you can avoid cashing in other assets. Tax consequences are unlikely unless profits exceed \$250,000 (\$500,000 for couples). Refinancing the outstanding balance on your home to get a lower monthly payment is another option. Make sure the interest rate is as good as or better than your current rate.



A home equity loan or home equity line of credit is not a good idea since it would mean an additional payment, especially if your income situation is uncertain. Reverse mortgages may be an option. Reverse mortgages allow homeowners age 62 and older to convert a portion of the equity in their homes into tax-free income (the lender makes payments to the homeowner) without having to sell their home, give up their title, or take on a new mortgage payment.

**Carefully evaluate the assets you own to determine when and how to use them.** No matter which assets you elect to liquidate, determine how much money you will receive, if you will incur a capital loss, and what taxes and penalties you will have to pay. If your reduction in income is temporary, and you own and use your assets wisely, you should be able to weather the storm.





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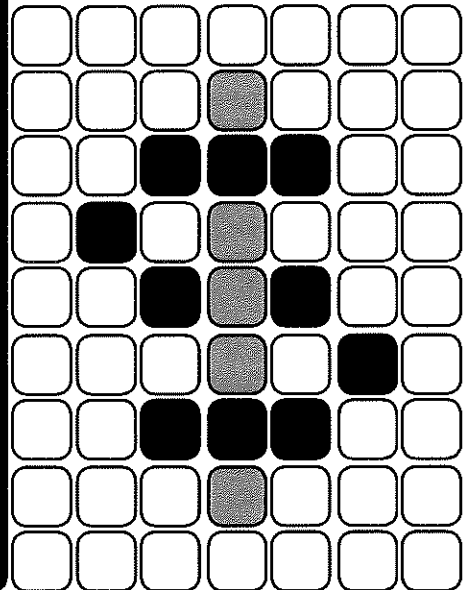
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# When Your Income Drops

# Planning Your Spending

**A** family spending plan is always a good idea. When your income drops, developing a realistic family spending plan is not optional—it is necessary. Though the process of developing your first family spending plan may be painful, it is not a punishment. It is an essential tool for getting ahead and staying ahead.

First, list all of your financial obligations, along with your best estimate of the cost per month and the amount of money you have to work with. It is often helpful to go through your checkbook register and other records you may have to make sure you include everything. At this point it is better to list everything you can think of and to over-estimate the cost. Later you will take a look at how to lower the cost of particular expenses.

Once your list is complete, consider what happens when you stop paying for each item. Stop buying food, and eventually, your family goes hungry. Stop paying your rent or mortgage payment, and you end up without a place to live. Thinking about your expenses this way helps you to really come to terms with what is and is not important.

Once you have listed your obligations and thought about the importance of each, rank your expenses from most to least important. Feeding your family and providing shelter from the elements (including utilities and your rent or mortgage payment) should be among your most important expenses. Transportation is another critical expense. The importance of your remaining expenses depends on you and your situation.

## Reducing Your Expenses

Take a look at each expense with an eye toward how you can cut back. A bigger gap between what you have and what you need to make ends meet will mean some very tough choices. Keep in mind that you do have options. You are also the best judge of where you can and cannot cut back. The following tips can help you through the process.



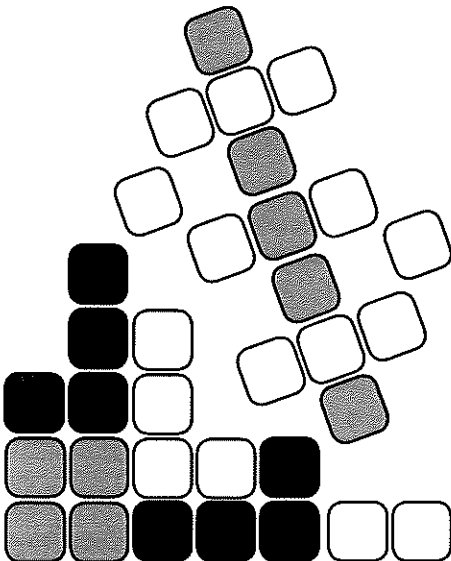
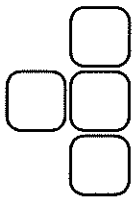
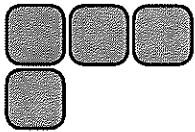
**Involve the Family.** Making ends meet with less income affects everyone in the family. When children are involved in the decision-making process, they are more likely to support a plan you come up with together. You may be surprised by the contributions they make to the discussion. Including your children in the family budgeting process helps them learn financial management skills and concepts that will last a lifetime.



**Give It Up.** Eliminate unnecessary expenses to free up cash for more important things. Expenses that fall on the bottom of your priority list make good targets. Review your bills for extras you can live without, such as premium cable channels, additional outlets, and long distance phone calls. If you have a cell phone and a home phone, give one up. These sacrifices may not be permanent, but for now they are necessary.



**Find Cheaper Alternatives.** Giving it up is not always feasible. It often makes more sense to substitute a lower-cost option. Instead of eating out for lunch, bring your lunch to work. Planning meatless meals a few times a week can make a big difference in your grocery bill. Carpooling to work or recreational activities can save you money on gasoline.





**Economize.** Change the setting on your thermostat to use less heat and air conditioning. Turn lights off when you leave a room. Plan meals and the use of left-over food to avoid waste. Take over simple tasks that you paid others to do for you, like changing the oil in your car, mowing the grass, or cleaning the house.



**Use Community Resources.** There are plenty of free things to do in your community, and resources you can tap into to help you during this difficult time. Information and programs from the University of Georgia Cooperative Extension office are free. Instead of going to the movie or renting a movie from the video store, check one out from the local public library. Many faith-based organizations also offer assistance to families in need.



**Barter.** Swapping resources with others can make a big difference when money is in short supply. Decide in advance who will supply any needed materials, and be clear on the details about exactly what will be done and by when. Bartering is more likely to be successful when expectations are clear to both parties.

## Dealing with Debt

One of the most stressful parts of dealing with a loss of income is dealing with phone calls from anxious creditors. It is important that you have a plan based on your spending priorities. Once you have a plan, dealing with creditors becomes a lot easier.

If you are unable to make at least the minimum payment on your debts, your credit report will suffer and your credit score will go down. During this difficult time, protecting your credit may be a low priority, but it is important to understand the implications so that you make choices with your eyes open. Try to make at least the minimum payment within 30 days of the due date to minimize the damage to your credit report and credit score. After 30 days, your late payment will show up on your credit report.

When you rank your financial obligations, it is natural to place your credit cards and other debts high on the list. However, when you do not have enough money to make ends meet, you need to evaluate your debts a little differently. Think about your debt the way the courts would if you filed for bankruptcy.

The courts consider your debts to be either secured or unsecured. Secured means that if you stop making payments, the creditor has a claim on something you own. For example, your car loan is secured by the vehicle. If you stop making payments, the lender will repossess the car. Secured debts have priority over unsecured debts should you file for bankruptcy.

Unsecured debts are not backed by a particular piece of property. Most credit cards are unsecured debts. If you stop making payments, the lender cannot take your vacation back. There are definite consequences for not making payments on unsecured debts, like late fees, higher interest rates, and damage to your credit report. The importance of those consequences depends on what you have to let go to continue making the payments.

Unsecured creditors know that if you end up having to file bankruptcy, they are very likely to get little or nothing toward repayment of what you owe. For that reason, most are willing to work out a payment plan with you. You are more likely to be successful in your negotiations with creditors if you have a good payment history with them, contact them prior to the due date to talk about options, and follow through on what you agree to do.

Some credit contracts include an acceleration clause which means that if you miss one payment, the entire debt becomes due. For secured debts, the creditor can seize the item you bought or the property you used as collateral and sell it to pay the debt. While giving back the item through repossession or foreclosure may sound like a good idea, it may not wipe out the amount you owe. The creditor will add the cost to repossess and resell the item to what you owe. A creditor may also obtain a court order, called a garnishment, to require your employer to withhold part of your wages until the creditor is repaid.

Some creditors will turn your debt over to a third party for collection. **Federal law prohibits third-party collectors from harassing, oppressing, and abusing you.** If you have a complaint about a collection agency that has violated the law, contact the Federal Trade Commission, 225 Peachtree Street, NE, Suite 1500, Atlanta, GA 30303 or call (toll free) 1-877-382-4357.

# When You Cannot Pay Your Debts



**Stop Using Credit.** Many families use credit cards when they do not have enough cash to make ends meet. Relying on credit cards may work for a month or two, but is not a permanent solution. Sooner or later, spending more than you earn will catch up with you. Run up a big balance and then fall behind on your payments and your situation will get worse than it is now, fast. Penalty interest rates, late fees, and over-limit charges make a bad situation worse and leave you with very few options. If at all possible, stop using your credit cards and negotiate a realistic repayment plan with the credit card company now rather than later.



**Develop a Plan.** Before you contact any creditors, have a plan. Know how much money is available for all your monthly debt payments. Leave ten percent for negotiations with creditors. Have an idea of how much of the total you are willing to commit to each of your creditors and be careful not to exceed it.



**Ask for Better Terms.** If you have not had problems paying your bills in the past, many creditors will work with you to help you through this crisis. Credit card companies may lower your interest rate. For some loans, the creditor may be willing to accept interest-only payments for a few months. This will not decrease the amount you owe and will extend the repayment period on the loan. Some creditors will not charge late fees and other penalties if you continue to make regular but smaller payments.



**Communicate with Creditors.** Visit local creditors, including utility companies, medical professionals, and others to whom you owe money in person. Creditors in your community may be more sensitive to your situation and more willing to work with you. Contact out-of-town creditors by phone. Write down the name and title of the person you talk with and note the date and time. Follow up with a letter summarizing what you and the creditor discussed. Keep a copy of all correspondence to and from your creditors in case it is needed for future reference.



**Be Prepared to Negotiate.** Creditors are not required to accept the terms you offer, so you may need to negotiate. Do not promise to pay more than you can afford. If the person you are talking with is unable to accept your terms, ask to speak to a supervisor or someone with more authority. If that fails, know that creditors have options, too, including legal action to collect what you owe.



**Get Credit Counseling.** Consumer credit counseling agencies can help you negotiate with creditors. They focus on unsecured debts, and are often able to obtain much better terms than you could negotiate yourself. In most cases you will be required to close all your credit accounts, and you must have the ability to pay something toward your unsecured debts to the counseling agency each month. The amount you have to repay in interest and fees will be reduced, which generally means it will take you less time to get out of debt. Be sure to ask about fees, tax consequences, and the impact on your credit score.



**See an Attorney.** When all else fails, your best option may be to see an attorney to discuss your bankruptcy options. Consumers can file either Chapter 7 or Chapter 13. With Chapter 7, your assets above certain specified limits are liquidated and the proceeds are used to pay your debts. With Chapter 13, you make payments to the court for three to five years that are used to repay your debt. Your attorney will go over your options with you and advise you about which is best for you.

A well thought out spending plan will probably not solve your financial difficulties. It will, however, help to minimize the damage from your loss of income and help you to deal with anxious creditors. Only you can decide what is most important and where your money should go. Developing and following your spending plan is the only way to make sure your money goes where you want it to go.



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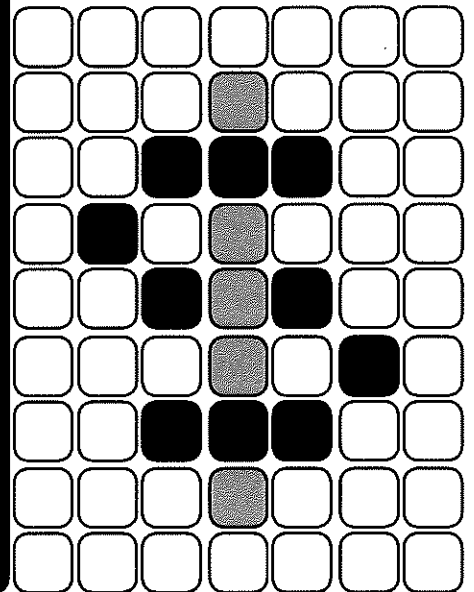
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# When Your Income Drops

# Insurance Matters

**E**very penny counts when your income drops. When times are hard, it is tempting to drop your insurance coverage. Sometimes that is OK, sometimes it's not a very good idea. You may need to continue paying for insurance because not doing so could lead to greater financial hardship. Insurance protects you and your family against financial losses caused by illness, accidents and other perils. When you buy insurance, the insurance company agrees to pay some or all of your losses for perils you are insured against. Examining the risks you face and your current insurance coverage is particularly important when your income drops.

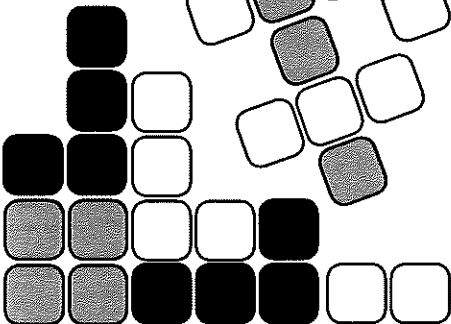
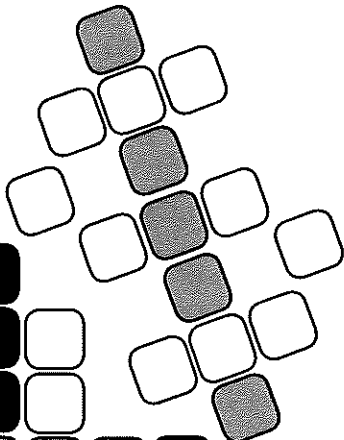
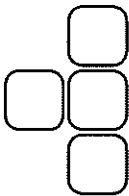
Pull out your policies. Take a close look at your insurance coverage and how much you pay for each. Ask your agent if you qualify for any discounts. You may find you are paying for coverage you really do not need. In other cases, you may be able to reduce the amount of insurance coverage or raise your deductibles (the amount you pay toward any loss) to save premium dollars. Depending on your income, there may be federal, state or local resources you can use that can compensate for the loss of needed insurance coverage.



**Health Insurance** covers medical expenses for you and your covered family members that result from illnesses or injuries. If you had group health insurance through an employer and lost your job, there are options. First, consider picking up health insurance through your spouse's employer-provided health insurance plan. If there is a change in family circumstances, most employers will allow you to make changes to your health plan choice outside of the open enrollment period.

**About COBRA.** If you had health insurance coverage with your employer and your spouse does not have access to health insurance, you may qualify for coverage through the Consolidated Omnibus Budget Reconciliation Act (COBRA) which enables you, your spouse, and any eligible children to continue your group health benefits for a period of time (18-29 months). If you qualify for COBRA coverage, you will have to pay the premium and the employers' portion as well. You must apply for coverage under COBRA within 60 days after leaving your job, so check with your Human Resources Department right away.

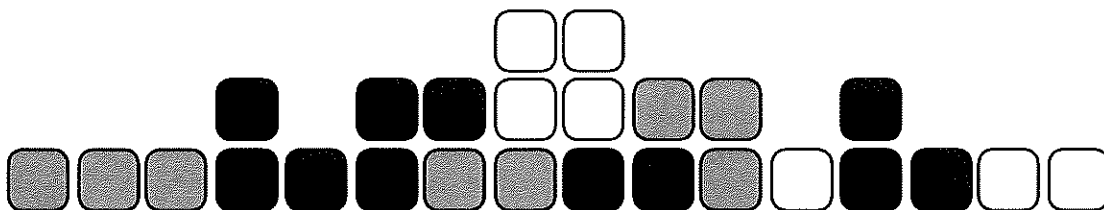
If you did not have health insurance through your employer, individual health insurance is very expensive. Shop around and compare policy benefits and costs. Keep in mind that you can lower the premium on your health insurance by choosing a larger deductible. You or your children may qualify for some of the state health insurance plans such as Medicaid or PeachCare for Kids. Check with your local Department of Family and Children Services (DFACS) to find out if you or your children qualify for either of the programs.





**Automobile Insurance.** Your automobile insurance policy includes bodily injury and property damage liability, medical payments, uninsured and underinsured motorist coverage, collision and comprehensive, and rental car and towing insurance. Understanding the different parts of the policy will help you make an informed decision about the changes you can make to save money. Once you decide on the levels of coverage you need, it pays to shop around since the cost for identical coverage can vary by as much as 600 percent from one company to another.

- » **Bodily injury and property damage** liability covers medical expenses you cause to other people outside of your car, damages to their property and any legal bills associated with the bodily injury and property damage losses. Georgia law requires you to maintain 25/50/25 of bodily injury and property damage liability coverage. In an accident caused by you, insurance will cover bodily injury losses up to \$25,000 per person, up to \$50,000 total for bodily injury losses per accident, and up to \$25,000 for damage to another person's property. You have to pay for damages above the policy limits, so higher levels of protection are strongly recommended.
- » **Medical payments** covers compensation for bodily injury expenses to you and your passengers regardless of who is at fault. It also covers you and members of your household in any accident involving an automobile, whether you are on foot, on a bicycle or in someone else's car. If you have health insurance, you might consider dropping this coverage. Keep in mind, that other passengers in your car may not have health insurance. If the accident is your fault, they will be left with no insurance to cover their medical bills and you are legally responsible for their losses.
- » **Uninsured and underinsured motorist** bodily injury and property damage covers you and your passenger's medical expenses and property damages if you are in an accident that was not your fault with someone who does not have automobile liability insurance, is a hit-and-run driver, or does not have sufficient liability insurance to cover your losses. The property damage portion of this coverage comes with deductibles. If you have health insurance, you might consider dropping the uninsured and underinsured bodily injury coverage. You can reduce your premium by increasing the deductible on your uninsured and underinsured property damage coverage.
- » **Collision and comprehensive** coverage typically offers the best opportunity to save premium dollars. Collision covers repairs for damage you cause to your car if you collide with another vehicle or object, such as another vehicle, tree, or building. Collision covers you regardless of who is at fault, but you should be paid under the other driver's liability coverage when the accident was not your fault. Comprehensive covers damages to your car caused by anything but a collision, such as fire, break in, vandalism or theft, and acts of nature such as an earthquake, hail, hurricane or flood. Lenders require both of these types of coverage and sometimes, specify a maximum deductible. Once your car is paid for, you may decide to drop this protection.





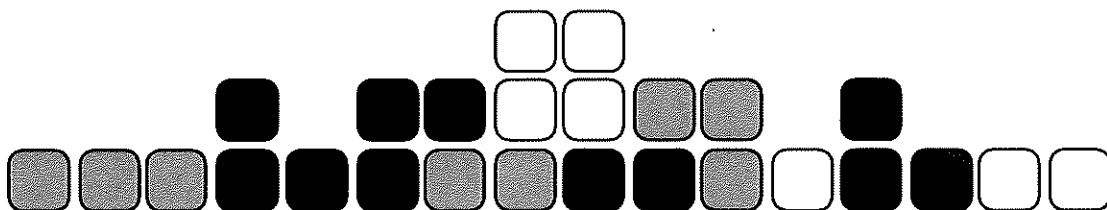
**Homeowner's Insurance.** If you have a mortgage on your home, homeowner's insurance is required by the lender. When your home is paid for, it is not a good idea to drop your policy. Your home is most likely your most valuable asset and you want to be able to repair or replace it if it is damaged. You can purchase policies that only cover certain perils to save premium dollars. However, you gamble that your home will be destroyed by perils that you have not insured against. Make sure that you insure your home for at least 80 percent of its replacement cost, or you will be penalized even if the loss is less than your coverage. If you try to lower your premiums by choosing actual cash value coverage (what the item is worth) to cover personal property, you will not be able to replace the damaged property with the amount received from the insurance company. Renter's insurance policies are available for individuals that do not own their home. With renter's insurance, you purchase the amount of coverage you need to cover the cost of replacing what you own.

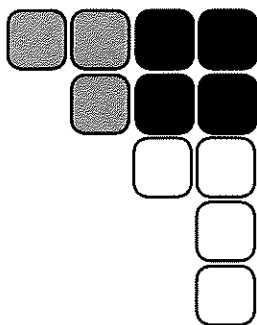
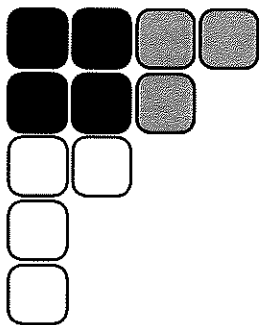


**Life Insurance** provides for those who are financially dependent on you in the event of your premature death. Life insurance comes in two basic forms (term and cash value) with many variations. Term life insurance has no savings component, and provides temporary protection for a specified period of time such as 5, 10, or 20 years. If the insured dies during the term, the policy pays the death benefit to the beneficiary. Cash-value life insurance is a combination of insurance and savings that continues as long as the premium is paid. The policy owner can take loans from the cash value (the amount paid to the beneficiary if the insured dies is reduced by any amount not repaid) or make partial or total withdrawals (afterwards the policy ceases to exist) from the cash value.

Depending on your age, if you own a cash-value policy, you may be able to save premium dollars by replacing your cash value policy with a term life policy. In addition to lower premiums, you can use the built up cash value to help you make ends meet while your income is lower. Be sure to secure the term policy before dropping the cash-value policy. Some people buy life insurance on all of their children, usually to cover funeral expenses. Eliminating this coverage is another way of cutting premium costs. If the policies are cash-value policies, the cash value received from the policies can be saved and invested to cover these costs.

**When your income drops, evaluate your insurance needs.** Everyone's situation is different, so the decisions you make about what insurance to keep, reduce, or get rid of will be a personal decision. While trying to fit everything into your new budget, you may think insurance is not a necessity. This may be true for some insurance coverage, but not for others, so do not make the decision lightly. You do not want to put yourself in a worse financial situation than you are already in.





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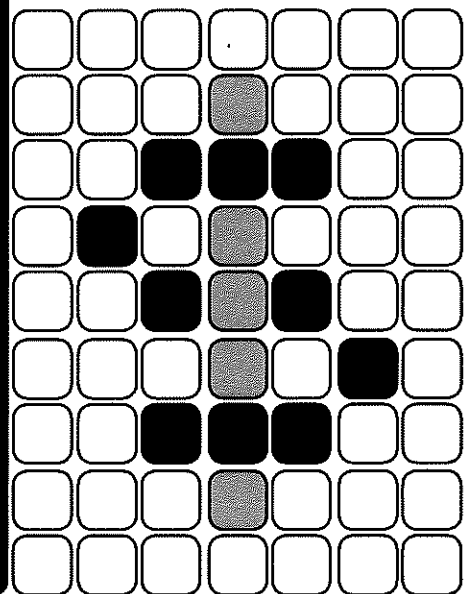
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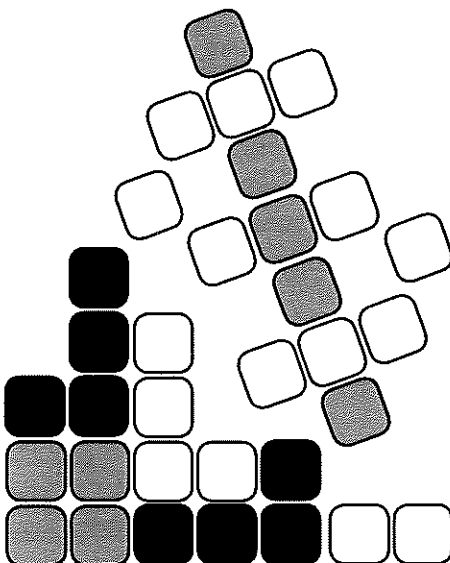
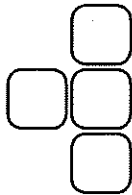
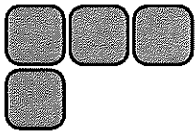
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# When Your Income Drops



# Tap into Community Resources

**C**ommunity resources can make a big difference in your ability to make it through hard times. Your community is not just the place where you live. People in a community have common interests and interact with one another. They share social, political and economic interests, and interact in ways that shape the community.

You may be a member of several communities. You live in a neighborhood that is perhaps part of a larger subdivision within a particular town in a certain county. Perhaps you belong to a faith-based community. You may also be part of a community of friends and family members that could be scattered across the country. Each of the communities where you live, work, play, or worship is a potential source of support.

## Support Networks

People who experience hardship cope better with the support of family and friends. A common reaction when people experience difficulty is to keep quiet. They may avoid family and friends, withdraw from community activities, and otherwise isolate themselves from sources of support. Any problem seems worse when you face it alone.



The people you know—your support network—can help you find the strength you need to move forward. They listen to your concerns. They help you think about options that might not have occurred to you. They are a shoulder to cry on, a helping hand, and someone to lean on until you are able to stand up on your own.

Your support network is an important resource. Besides social support, the people in your support network may be willing and able to help in more concrete ways. They might point you toward unadvertised job openings or watch your children while you search for a job. Perhaps they or someone they know would be willing to pay you or your teenager to mow the grass, clean out the attic, or rake the leaves.

Isolating yourself from family and friends is one extreme to avoid. The other extreme to avoid is relying too heavily upon your support network. You are ultimately responsible for solving your own problems. The people in your support network will not mind helping you if they are able, especially if they know you are doing all you can do to get back on your feet. Make sure you let them know how much you appreciate the help.



## Government Assistance ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

The two most important resources in your community are the offices of the **Department of Labor** (DOL) and the **Department of Family and Children Services** (DFCS). These agencies help people who fall on hard times to get back on their feet. There is no shame in asking for help, especially when the health and welfare of your family is at stake. Everyone needs a little help now and then.



Visit the DOL office to see about unemployment compensation, listings of jobs that are available in the area, and information about training and educational opportunities to help you get a better job. If your last employer contributed to the Unemployment Compensation Program on your behalf, you may be entitled to benefits. The payments are calculated from the first day you file, so file promptly. Visit <http://www.dol.state.ga.us/> for more information.

Visit the DFCS office to find out about Food Stamps, Medical Assistance, Temporary Assistance to Needy Families and other programs for families in need. Call before you go to find out the records you need to bring with you. DFCS also offers Peach Care health insurance for uninsured children, whether you are employed or not. To find out more, visit <http://dfcs.dhr.georgia.gov/portal/site/DHR-DFCS/>.

Dealing with unemployment and struggling to make ends meet when there is not enough money is stressful. If you do not have a support network or need more help than they can provide, there are other resources. The **Department of Human Resources** offers additional programs to help you. Visit <http://mhddad.dhr.georgia.gov/portal/site/DHR-MHDDAD/> for more information.

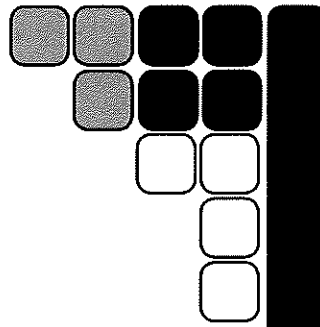
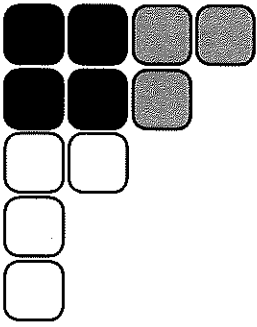
## Other Free Resources ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

There are other resources in your community you can tap into to help you get the most from your money. Visit the public library and local parks for free recreational activities. The University of Georgia Cooperative Extension office in your county provides information to help you with decisions about money, food, children, agriculture, and more.

**Volunteer Income Tax Assistance** (VITA) sites are located around the state. If your household earns less than \$40,000, you are eligible for free tax preparation at a (VITA) Volunteer Tax Assistance Site. When you go, be sure to ask about the Earned Income Tax Credit (EITC) and other tax credits. For more information, go to <http://www.atlantaprosperty.org/vita/state.shtml>. The number of locations that assist with tax preparation is rapidly changing and expanding. Check this site often for the most current list.

**Georgia Family Connection Partnership** (GaFCP) is a public/private partnership created by the State of Georgia and funders from the private sector. They assist communities in addressing the serious challenges facing Georgia's children and families. They also serve as a resource to state agencies across Georgia that work to improve the lives of children and families. Some collaboratives offer provider meetings so the community knows about the local services available to citizens.

For more information about your local Family Connection Partnership go to <http://www.gafcp.org/CollabWebs/websoverview.htm>. Select a county and the site will direct you to the local partnership website which will have names for the local coordinators and contact information. The coordinators should be able to tell you about local services available.



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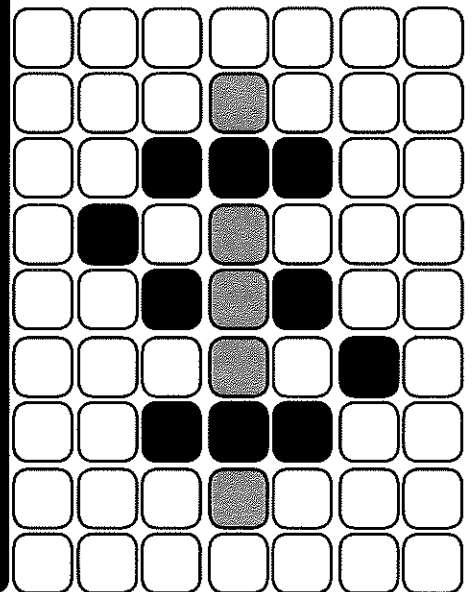
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# When Your Income Drops

# Housing— Your Top Priority

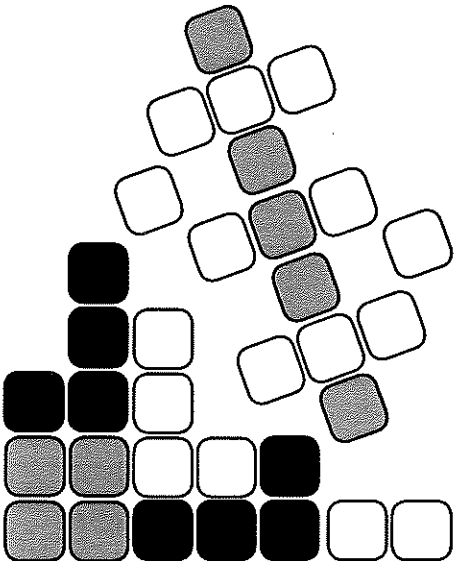
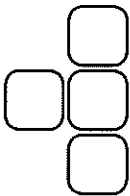
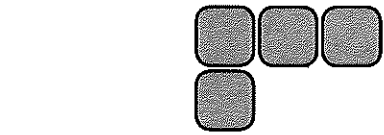
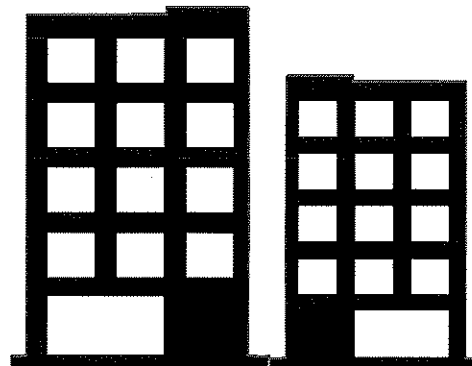
**K**eeping a roof overhead is an important concern when your income drops. If you rank your bills in order of priority, paying your rent or mortgage will always be at, or near, the top of your list. Housing, which includes mortgage or rent payments, insurance, taxes, household maintenance and repair, utility bills, furnishings, and cleaning supplies, is also typically your biggest expense. When your income drops or doesn't go as far as it used to, careful planning can help you avoid eviction from your rental unit or the loss of your home.

## Renters

If you rent, tell your landlord about your situation before your rent is due. It costs money for a landlord to change tenants so they may be willing to work with you, especially if you have been a good tenant. If your situation is temporary, ask for an extension until your income resumes. Offer to make smaller payments for a month or two, with the understanding that you will catch up when your income increases again. Consider trading your labor for a portion of the rent. Offer to provide services, such as painting or yard work, in exchange for rent. If you think your loss of income will continue for more than a few months, moving to lower cost rental housing may be your best option.

Failure to pay rent can result in an eviction. Review your lease to make sure you understand what happens when you fall behind on rent. Landlords are required to comply with the terms and conditions in the lease to evict you. For more information on Georgia Landlord-Tenant laws, contact the Georgia Landlord-Tenant Hotline at 1-800-369-4706.

If you rent and the property is foreclosed because the property owner failed to make payments, in most instances your lease will be terminated. The new owner can continue to accept rent payments from you, offer you a new lease or demand possession of the property. In this situation it is best to sign a new lease or move out.



# Homeowners

When you buy a home you enter into a contractual agreement with a lender. Make sure you have a clear understanding of your mortgage contract and your responsibility to make timely payments on your loan. When your income drops, you quickly feel the stress of making your mortgage payment. If your loss of income will only be for a few months, you may be able to cut back on other expenses and continue to meet your mortgage payments.

If making your mortgage payment appears impossible, contact your lender before you miss the first payment. Your lender may be able to temporarily lower your payment or refinance your loan. Most lenders would rather avoid the time and cost involved in a foreclosure if another alternative can be worked out. No matter what your situation is, you need to look at your options before you miss a mortgage payment. This is the time to seek help from a HUD-approved housing counselor.



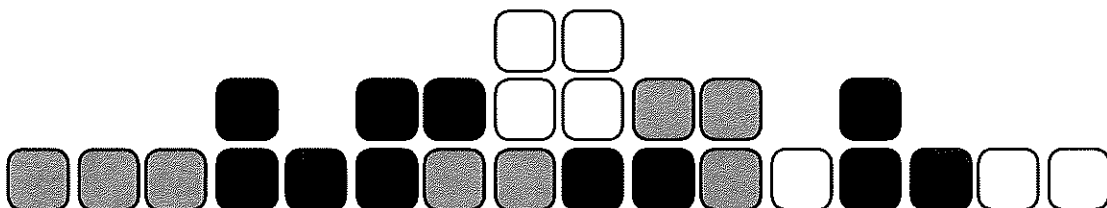
## Avoiding Foreclosure

You must avoid falling behind on your mortgage payments. If you miss a mortgage payment, you have defaulted on your contract and your lender can begin foreclosure on your home. Open the letters and notices that come from your lender. Ignoring the problem will not make it go away. If making the payment on time is not possible, the first step is to acknowledge that you have a problem and talk to your lender.

In Georgia, the foreclosure timeline is short. You could lose your home in less than four months. Miss one payment and the lender will contact you by phone or mail. Miss the second payment and your lender will call more often to try to get you to make a payment. Fall three months behind and in most cases, you will receive a "Demand Letter" or "Notice to Accelerate." At this time you are given 30 days to bring your mortgage current. If you fail to bring it current or make arrangements with the lender, then the lender may begin foreclosure proceedings.

If your loss of income is going to last a long time, consider your options for decreasing your expenses and increasing your income. Increasing your income can be more challenging than decreasing expenses. Be creative in thinking of ways to increase your income. Consider taking in a renter and using the money you receive towards your mortgage payment. Another option is to rent your home and move your family into a smaller house or live with relatives or friends. In both situations you need to have a written agreement between yourself and the renter. It is a good idea to ask for a security deposit from your renter. Renting out all or part of your home will impact your property tax exemptions and home owner's insurance, so you need to check with the local taxing authority and your insurance company.

Refinancing may also be an option, especially if you owe less than your home is worth. You may be able to refinance your mortgage and lower your monthly payment. Refinancing is an especially attractive option if your mortgage loan has an adjustable or variable interest rate, or a high interest rate. If you decide to refinance make sure the new loan has a fixed interest rate and that the savings are worth all of the costs associated with refinancing the loan.



For homeowners at least 62 years of age with a low mortgage balance, a reverse mortgage may be an option. A reverse mortgage allows you to convert a portion of the equity in your home into cash. You continue to live in the home and the lender pays you a lump sum payment or monthly payments. The money you receive is paid back – plus interest – when you sell your home, permanently move out, or die. The loan may be federally-insured and you retain title to the property.

If you can no longer afford it, then selling your home may be your best option. Contact your lender to let them know that you need to sell your home. Lenders will usually give you a specific amount of time to find a buyer and pay off the mortgage loan balance. During this time you will be expected to aggressively market the property. If you owe more than your home's current value, then the lender may agree to a pre-foreclosure sale or short-sale. A short-sale is when the lender accepts less than the amount you owe on your loan. Another option may be to find a qualified buyer to assume your loan. An assumption may be permitted by the lender even if your original loan documents state that the loan is non-assumable.



Your lender may allow you to voluntarily "give back" your property and forgive the debt. Although this option sounds like the easiest way out for you, generally, you must attempt to sell the home for its fair market value for at least 90 days before the lender will consider this option. Also, this option may not be available if you have other liens such as judgments of other creditors, second mortgages, and IRS or state tax liens. If your home has decreased in value, you are still responsible for the total amount of the loan and must pay the lender the difference unless the lender chooses to forgive the outstanding balance.

## Beware of Frauds and Scams



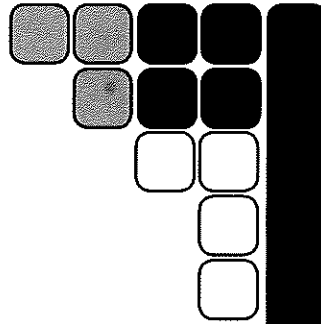
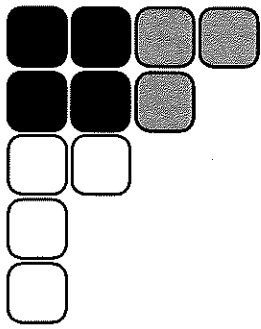
Unfortunately, con artists frequently target people who are in desperate situations. Entities that advertize on television, on the Internet and in newspapers with a promise to "rescue" homeowners from foreclosure are rarely as good as they sound. Most will take your money, ruin your credit, and deplete any equity you may have in your home. If it sounds too good to be true, it probably is a scam.

When it comes to your home, you cannot be too careful. Be sure that you read and understand any agreements before you sign on the dotted line. Any verbal promises and agreements must be in writing and part of the agreement to be enforced. Make your mortgage payments directly to your lender or mortgage servicer, not some third party who may just take your money and run. Be very careful about signing over your deed. If you are unsure or suspicious, check with the Better Business Bureau. Report any suspicious activity to local law enforcement officials and the Federal Trade Commission.

Contact your lender before you miss a mortgage payment. It is important that you deal honestly with the lender and not make promises you can't keep. Most lenders will work with you to help bring your mortgage current or sell your home. For help evaluating your options contact a U.S. Department of Housing and Urban Development (HUD) approved housing counseling agency. They have information on services and programs that could help you. To find a counseling agency near you call (800) 569-4287.

**Most importantly, be realistic.** You will have to make sacrifices if you want to save your home from foreclosure.





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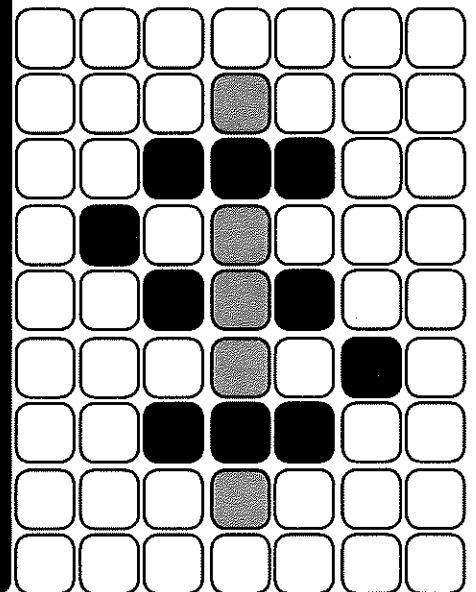
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# When Your Income Drops

# Taking Care of You and Your Family

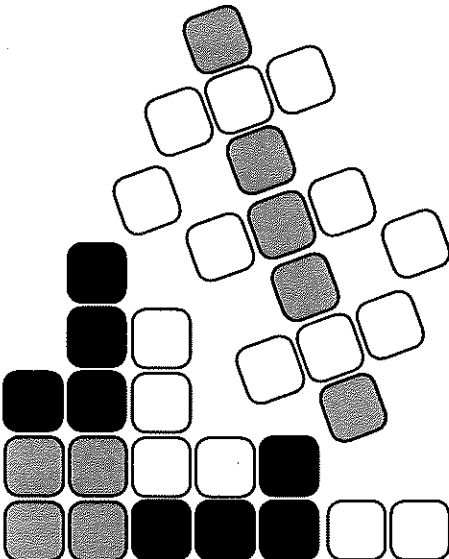
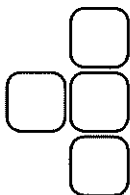
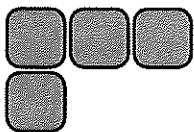
**L**osing a job, worrying about making ends meet, and making sudden big changes in your life are each very stressful. When your income drops, you are probably dealing with all that and more. Dealing with the financial aspects of your situation is important. But it is equally important to deal with the psychological and emotional aspects that you and your family are experiencing.

Feelings are neither right nor wrong—they just are. People respond to difficult situations with many feelings including anger, anxiety, outrage, frustration, and self-doubt. Recognizing these strong feelings, understanding why they may be present and dealing with them in positive ways is important. Denying feelings and pretending they do not exist can cause serious physical and emotional harm to you and others in your family.

Help children understand what is going on with the family in a way that is easy to grasp. It is not necessary to fill them in on all the details, but it is important that you be as honest and straightforward as possible. Talk about how less money will mean certain changes. Discuss spending priorities and ask for their input about ways to reduce expenses.

Children may need help coping with the changes that are taking place. Unemployment often means sudden, drastic lifestyle changes. An adult may be home more than before, disrupting well-established routines. Plans made before the job loss may fall by the wayside. Extra-curricular activities may be cut back or canceled. It may be necessary to modify roles and responsibilities within the family. Any of these changes can lead to feelings of fear, anger, and frustration for you and other family members.

Work to keep expectations realistic. For example, a young child should not be expected to run the household so that a parent can add a second job to the schedule. Focus on supporting each other. Be each other's best cheerleader.



# Take Care of Yourself



It is vitally important to eat a balanced and nutritious diet, stay physically active, and get plenty of rest. Taking care of your physical needs makes it easier to manage psychological and emotional demands. The disruption in your normal routine may provide an opportunity to develop a new routine that includes plenty of exercise.



Exercise is a great way to manage stress, improve your health, and increase your energy level. A healthy dose of exercise every day also makes it easier to sleep at night.

Surround yourself with positive, supportive family and friends. Sharing your feelings with loved ones helps. Isolating yourself from others may bring comfort in the short run, but is not likely to improve your situation. Wallowing in self-pity is not going to make you feel better, and may cause others to avoid you.

As bad as things may be, it is not the end of the world. Count your blessings! Focusing on the positive will help you put things in perspective. A positive outlook tends to draw people to you and make them want to help. It is also more likely to lead to opportunities that can make a difference.

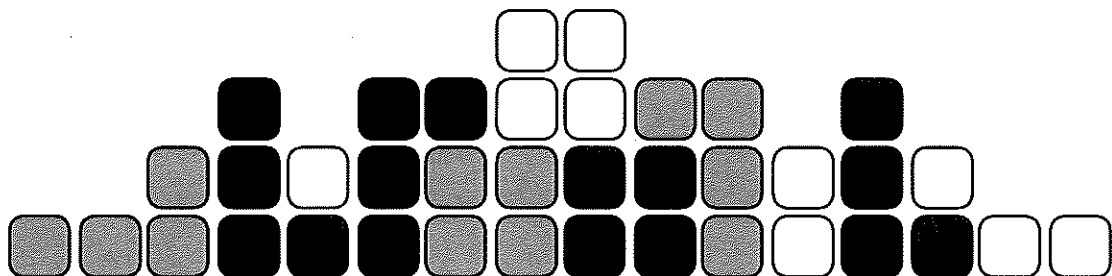
If you find your thoughts easily drifting towards negativity, try listening to a motivational speaker or upbeat music. Take time to read an uplifting book. Make a list of five good things in your life right now. Filling your mind with positive messages helps protect against depression.

Treat your job search like a real job. Spend time every day looking for a job. Structure your time by using a calendar to schedule daily and weekly job search activities. Think about volunteering with helping organizations in your community. Volunteer work can help you feel productive and may lead to employment opportunities. Try to make the most of your time. Review your accomplishments each day. Take advantage of the extra time you may have to enjoy activities with your kids, work on projects around the house, or visit with friends.

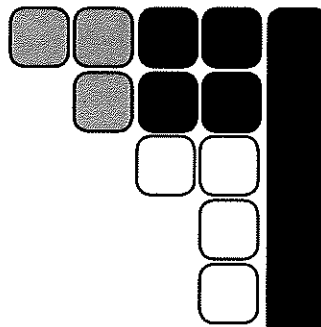
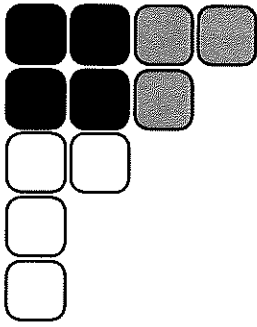
If you have trouble coping, seek professional help. Talking to a trained professional can help you work through your feelings so you will feel better about yourself and your situation. An unbiased third party can also help you to evaluate your options and assist in the development of an action plan.



A family counselor can help you resolve issues that you or members of your family are facing. Call Helpline Georgia at 1-800-338-6745 for help and information about where to get counseling locally. All calls are confidential and anonymous.







THE UNIVERSITY OF GEORGIA  
**COOPERATIVE EXTENSION**

Colleges of Agricultural and Environmental Sciences & Family and Consumer Sciences



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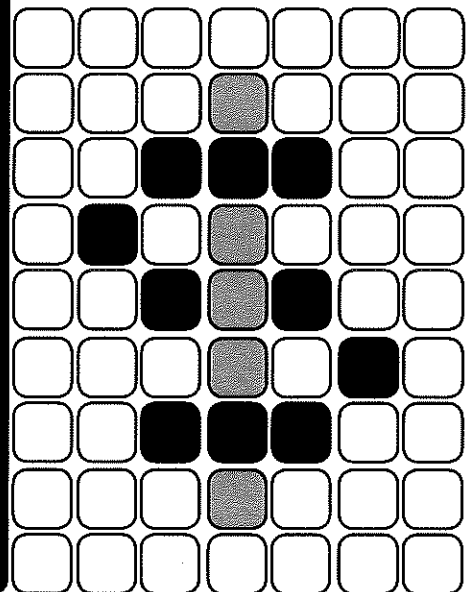
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## PowerPay Debt Calculator

Tom and Rose pay \$450 a month on their consumer debt. They would like to pay the debt off quicker so that they can start saving more money for other goals. This is a snapshot of their current debt:

Type of Credit Creditor	Creditor	Current Balance	Monthly Payment	Annual Interest Rate (APR)
Car Loan	Anytown Credit Union	\$4,000.00	\$ 150.00	11.00%
Store Card	Old Navy	\$1,500.00	\$ 100.00	20.40%
Credit Card	Discover	\$ 375.00	\$ 50.00	20.40%
Credit Card	Visa	\$ 450.00	\$ 50.00	18.00%
Other	Finance Company	\$2,500.00	\$ 100.00	30.00%
		\$8,825.00	\$ 450.00	

They hear about the **PowerPay** calculator (can be found at <https://powerpay.org/>) and decide to try it. By comparing the repayment methods (highest interest first, lowest balance first, shortest term first, etc.), Tom and Rose can reduce the interest paid and the time in debt. By simply paying off one debt, then applying that debt's payment to the next, and so on, all their debts will be paid sooner if they don't add anymore debt to the mix. To help guide Tom and Rose with their payments each month, **PowerPay** provides a calendar repayment schedule:

Month	Discover	Visa	Store Card	Other	Car Loan
1	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
2	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
3	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
4	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
5	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
6	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
7	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
8	\$50.00	\$50.00	\$100.00	\$100.00	\$150.00
9	\$4.58	\$50.00	\$100.00	\$145.42	\$150.00
10		\$37.11	\$100.00	\$162.89	\$150.00
11			\$100.00	\$200.00	\$150.00
12			\$100.00	\$200.00	\$150.00
13			\$100.00	\$200.00	\$150.00
14			\$100.00	\$200.00	\$150.00
15			\$100.00	\$200.00	\$150.00
16			\$100.00	\$200.00	\$150.00
17			\$100.00	\$200.00	\$150.00
18			\$46.49	\$253.51	\$150.00
19				\$300.00	\$150.00
20				\$300.00	\$150.00
21				\$23.48	\$426.52
22					\$450.00
23					\$450.00
24					\$230.55
TOTALS	\$404.58	\$487.11	\$1746.49	\$3385.30	\$4557.07

By applying **PowerPay** and paying at least the minimum payment required for each account, they reduced the time required to pay off all debt by 1 year 4 months and saved \$637.94. By paying an extra \$25 a month, they could reduce the time by two months, and save an additional \$154.61. Without **PowerPay**, it would have taken them 3 years 4 months to be debt free (that is an extra two years in debt!).

Find this tool at <https://powerpay.org/>