When Income Drops

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Extension
Latah County

Breathe,
Breathe,
Breathe,
..... Relax

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Navigating Money Challenges:
Tools to Manage Finances through the COVID-19 Crisis
Brenda Long and Teagen Lefere
Michigan State University Extension
Financial & Homeownership Education
MSHDA/HUD Certified Housing Counselor

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Breathe,

Breathe,

Breathe,

..... Relax

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CARES Act

Stimulus Check

- $1200 per qualified taxpayer
  - Over 18 years old
  - Has a work eligible Social Security number
  - Not claimed as a dependent
- Income-based
  - Individual <$75,000/year
  - Married filing jointly <$150,000/year
  - Reduced $5 every $100 over income threshold
  - $500 per child claimed as a dependent

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CARES Act

Stimulus Check

- Based on 2018-2019 IRS filing
- If don't file or need to file, can file simple return now
- If receiving Social Security, will receive automatically

Federal Student Loan Debt

- Payments paused until 9/30/2020, automatically suspended
- Interest waiver
- Involuntary collection suspended

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CARES Act

Unemployment Insurance

- Unemployment assistance up to 39 weeks
- Including first week
- State $$$/week + Federal $600/week
- Extended 13 weeks
- Contact your State Department of Labor

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CARES Act

Healthcare Provision

- Definition of qualified medical expenses
- Flexible Savings Accounts and Health Savings Accounts now cover over the counter medications

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CARES Act

Retirement related

- 10% early withdrawal penalty before retirement waived—IRA, 401K, 403B
- Mandatory withholding requirements waived
- Required Minimum Distributions waived for 2020 if 70.5 year or older
- Check employer sponsored retirement loan plans

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When your income drops…

- Take stock of family and community resources (local, state, federal programs)
- Recognize changes, even if temporary, and impacts on your household financial affairs
- Set spending priorities
- Involve the entire family
- Prioritize creditors & debts
- Watch for scams
- Make your Action Plan

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Handouts

- Resource Guide
- Monthly Spending Plan
- Prioritizing Bills
- Debt Log
- Creditor Communication
- Action Plan

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Making a Spending Plan

Creating a spending plan is a valuable tool to:

- ➢Provide a feeling a control
- ➢Detail income and expenses
- ➢Prepare for unexpected expenses
- ➢Understand how money is being spent
- ➢Reach your money goals

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Developing a Spending Plan

- Select a record-keeping system
- Determine total monthly income
- List fixed monthly expenses
- Estimate flexible monthly expenses
- Rank financial goals and their cost
- Discuss needs and wants
- Set up a regular savings plan
- Revise plan as needed

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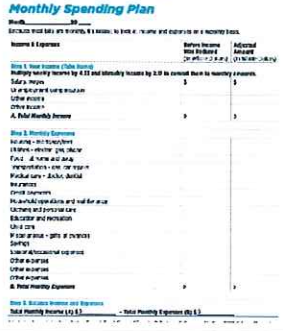
Spending Plan


Monthly Spending Plan

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Steps to a Spending Plan

Add up all Income (including assistance)

Subtract

- Savings and all Expenses (fixed, flexible and occasional)

==========

Balance your budget

Saving + total expenses = income. If this is not true:

↑ **Increase your income**

↓ **Decrease your expenses/spending**

\+ **Combination of both**

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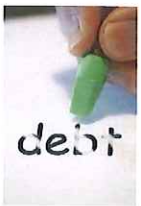
Managing debt

- How much do I owe?
- Setting spending priorities
- Deciding which bills to pay first
- Danger signs of too much debt



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Decide which bills to pay first

Keep the following in mind when deciding how to pay bills:

- Identify one responsible person
- Choose one method, place, process
- Keep how to keep records of payments
- Open all mail when it arrives
- Discuss the plan with the household
- Use a calendar to record weekly activity: bill due dates and amounts, and income

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Which bills to pay first?

- Size up the situation
- What will affect family's health and security?
- What will you lose?
- Child support, back taxes and student loans
- Credit card accounts
- Consolidation loans
- Make the plan work

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What is essential

Essential bills

- Rent/mortgage payment
- Car payment
- Electric & gas
- Water/sewer
- Auto Insurance
- Health Insurance
- Food

Non-essential bills

- Student loan payment
- Credit card bill
- Legal bill
- Medical bill
- Loan from a family member

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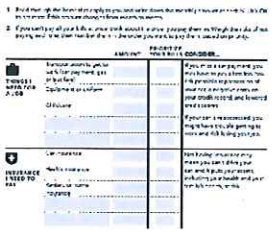
Prioritizing Bills

Prioritizing bills helps you manage issues when you can't pay them on time



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Talking with creditors

- Contact creditors immediately, if you cannot pay on time
- Be prepared for the call
- Write everything down
- Alternatives to consider
- What happens when you don't pay?
- Creditors' options

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Creditor Communication Log

WORKSHEET

Creditor Communication Tracking

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Alternatives when negotiating

- Reduce monthly payments
- Defer a payment for a short time
- Reduce or stop late charges
- Pay only interest on the loan
- Refinance the loan
- Voluntarily surrender item purchased
- Sell the item to satisfy debt (you are still responsible for any balance)

* Consider the affects these changes will have on your credit report or score

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Debt Warning Signs

- If you cannot stop buying things you don't need or cannot afford
- If you avoid looking at bills and credit card statements
- If you've taken cash advances on a credit card to pay monthly expenses
- If you charge more on credit cards than you pay each month

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Debt Warning Signs

- If you're not aware of how much money is needed each month to cover your living expenses
- If you don't know how much is owed in total debt
- If more than 15 percent of your take-home pay goes to credit payments
- If you usually pay only the minimum on credit cards

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How much do I owe?

WORKSHEET

How Much Do I Owe?

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Struggling with Homeownership

Communicate to see available options:

- **Mortgage –** Loan Servicer
- **Taxes –** County Treasurer
- **Association Fees –** Board Treasurer

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Watch for scams

✓Anyone promising stimulus money now
✓Asking for fees before assistance
✓Guarantees of a loan
✓If it sounds too good to be true, it probably is

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Protecting Your Identity

Types of ID theft fraud:

- *True name fraud* – thief pretends to be another person
- *Account take over fraud* – thief takes over accounts and/opens new accounts
- Report at FTC.gov

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Caution:

- Use secure web browser
  - A lock should appear in the web browser
  - HTTPS – secure
  - "log out" or "sign off" do not just close a browser
- Do not give personal information over a cell phone
- Do not carry more information than you need – *do not keep SS card and bank account info in wallet*

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Caution: Current scams

- Undelivered goods
- Fake Charities
- Robo calls
- Misinformation and rumors

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Caution: Current scams

Fake emails, texts or phishing scams

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Things To Do:

- Take action immediately if a victim of identity fraud
  - Contact 3 credit bureaus
  - Contact all banks and creditors
  - Report the crime to FTC.gov & your local police; keep a copy of the report
  - Monitor your mail for new accounts opened in your name
  - Monitor your credit reports for inaccuracies

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Things To Do:

- Monitor your personal information – credit report, bank and credit accounts
- Report suspicious activity
- "Opt Out" of credit card & insurance offers

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Action Steps

- Track expenses
- Create a Spending Plan
- Confirm debts: where you are now?
- Make a Plan

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When your income drops…

- Take stock of family and community resources (local, state, federal resources)
- Recognize changes, even if temporary, and impacts on your household financial affairs
- Set spending priorities
- Involve the entire family
- Plan to pay creditors
- Watch for scams
- Make your Action Plan

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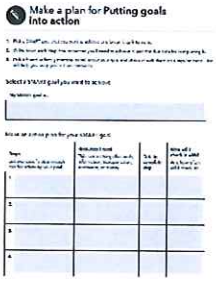
My Action Plan



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Reflect

- What's your experience?
- What's your Action Plan?

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References

Anderson-Porisch, Heins, Peterson, Hooper and Bauer's Dollar Works 2: A Personal Financial Education Program (2009, St. Paul, MN: University of Minnesota Extension, NEA Training).

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https://www.stepforwardmichigan.org/en/

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Credit

This presentation was developed by members of the Michigan State University Extension, Community, Food and Environment Institute, Financial and Homeownership Education Team.

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- Teagen Lefere
- Rob Weber
- Scott Matteson

www.mimoneyhealth.org

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Procedure to Develop a Spending Plan

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

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

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

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

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

Monthly Spending Plan

Month_____20____

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

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

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

Step 3. Balance Income and Expenses

Total Monthly Income (A) $ 0 **– Total Monthly Expenses (B) $** 0

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

Non-Monthly Expenses

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

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

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

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Balance Income & Expenses

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

General Brainstorming About Options
What are the possibilities for changing your cash flow?
What is this costing you?
What ideas do you want to look into?
What are your priorities?
Where do you feel successful?
What's untouchable or non-negotiable?
Income Options
What are ways to increase your income, including get a better job or decide that additional family members will work?
Is there anything you can sell?
Would you be willing to ask a tax professional to review your returns and paystubs to help you maximize deductions, credits or take-home pay?
Would you be willing to look into eligibility for any public or private benefits?

Balance Income & Expenses, continued

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

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How Families Handle Reduced Income

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

Living on a Seasonal Income

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

Summary

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

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

Questions to Ask Yourself

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

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

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

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

GETTING STARTED

Prioritizing bills

Making a short-term plan can help you identify the consequences of failing to pay certain bills. This can help you prioritize your expenses if you just can't pay everything.

You're responsible for paying all of your expenses on time. If you miss payments now, you'll have to make them up in the future. But when you don't have enough money to cover your needs and obligations, you may have to make a short-term plan to get through the month.

Sometimes your plan may involve paying some bills late or missing a bill. When bill collectors are calling or you're trying to decide which of your obligations to pay first, it can sometimes just seem easiest to pay the "squeakiest wheel"—but this might not be the best approach. Sometimes you may need to ignore the squeaky wheel for a short time while you pay for necessities and build a plan for repayment.

What to do

- **Read through the list of expenses.** Identify what you need to pay to protect your housing and income, keep your insurance, and meet any court-ordered obligations.
- **Prioritize your bills.**

A step further

Don't ignore bills you can't pay. If you must miss a payment, call the person or company you owe the money to and explain that you will miss a payment and the reason for it. You may wish to contact a certified housing counselor or credit counselor for specialized assistance in building a plan to pay your debts and pay your monthly bills and expenses. Module 6: Dealing with Debt describes your rights in debt collection and includes tips for responding to debt collectors. For additional information on what debt collectors can and cannot do, visit consumerfinance.gov/consumer-tools/debt-collection/.

Prioritizing bills helps you manage issues when you can't pay them on time

1. Read through the items that apply to you and write down the monthly amount of each bill. It's OK to estimate if this amount changes from month to month.
2. If you can't pay all your bills at once, think about the order you pay them in. Weigh the risks of not paying each one, then number them in the order you want to pay them, based on priority.

		AMOUNT	PRIORITIZE YOUR BILLS	CONSIDER...
THINGS I NEED FOR A JOB	Transportation to get to work (car payment, gas or bus fare)			If you miss a car payment, you may have to pay a late fee. You risk possible repossession of your car, a negative entry on your credit record, and lowered credit scores. If your car is repossessed, you might have trouble getting to work and risk losing your job.
	Equipment or uniform			
	Childcare			
INSURANCE I NEED TO PAY	Car insurance			Not having insurance may mean you can't drive your car, and it puts your assets, including your health and your family's health, at risk.
	Health insurance			
	Renters or home insurance			

		AMOUNT	PRIORITIZE YOUR BILLS	CONSIDER...
THINGS I NEED FOR HOUSING	Rent, mortgage, or property taxes			If you're late with rent, you may have to pay a late fee, risk possible eviction, and strain your relationship with your landlord.
	Gas, electric			
	Water, garbage, sewer			If you don't pay your utility bills, they may get cut off. Utility companies may charge fees to get reconnected.
OBLIGATIONS I HAVE TO PAY	Credit cards			If you're late with your credit card payment, you may have to pay a late fee. You also risk a negative entry on your credit record, lowered credit scores, and higher interest rates.
	Loans (student, payday)			
	Child support			
	Court-ordered fines and fees			If you don't pay court-ordered obligations, like child support, you may face legal consequences.

This tool is included in the Bureau of Consumer Financial Protection's Your Money, Your Goals: A financial empowerment toolkit. The Bureau has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The Bureau is not responsible for the advice or actions of the individuals or entities from which you received the Bureau educational materials. The Bureau's educational efforts are limited to the materials that the Bureau has prepared.

This tool may ask you to provide sensitive information. The Bureau does not collect this information and is not responsible for how your information may be used if you provide it to others. The Bureau recommends that you do not include names, account numbers, or other sensitive information and that users follow their organization's policies regarding personal information.

WORKSHEET

Creditor Communication Tracking

Directions: Communicating with creditors can be an intimidating process. Keeping track of your communication is useful when documenting and discussing important financial discussions with lenders and creditors. Using the tracking form below, document each conversation that you have with creditors and lenders.

Prior to initiating communication, complete the chart below as a guide for your conversation:

Date of the conversation:	
Name of company:	
My account number:	
My amount owed:	
What I need to know:	
Questions I need to ask:	1. 2. 3.
Other important information:	

During the communication, complete the following information:

Name of the contact:	
Phone number, including extension:	
Responses to the questions you asked:	1. 2. 3.
My next steps:	
Their next steps:	
Are we meeting again? If so, when do I need to contact them?	

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How Much Do I Owe?

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

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

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

CHECKLIST

Danger Signs of Too Much Debt

The following questions can help you tell if you have a debt problem, so you can do something about it before it gets worse. Look over this list and check off any statements that are true for you.

- ❒ I can't seem to stop myself from buying things I don't need or can't afford.
- ❒ I buy things from television or catalogs on monthly payments.
- ❒ I tend to get behind in my utility or rent payments.
- ❒ I keep things that I buy on credit secret from my partner or lie about how I paid for them.
- ❒ I have gotten a phone call about an overdue credit payment.
- ❒ I have taken a cash advance to pay for my bills or living expenses.
- ❒ I charge more than I pay on my credit cards each month.
- ❒ I have made a credit payment with a post-dated check.
- ❒ I don't know how much I need for my monthly living expenses.
- ❒ I don't know how much I owe in total.
- ❒ I owe money to more than seven creditors.
- ❒ I owe more money to my creditors than I own (house, car).
- ❒ If I get a raise, I already know I'll have to use it to pay my debts.
- ❒ I depend on extra income, such as overtime, to make ends meet.
- ❒ I owe back installment payments that will take more than a year to pay.
- ❒ More than 15 percent of my take-home pay goes to credit payments (other than home mortgage).
- ❒ I'd like to consolidate my loans or extend my current loans.
- ❒ To make ends meet, I have taken out a loan, withdrawn money from savings, skipped payments or paid only the minimum due.

If you checked off four or more of these statements, you may have a problem with using credit.

If you checked off seven or more, you're in danger of getting into big trouble with credit. You need to start making some changes now to avoid more serious problems in the future.

Adapted with permission from Anderson-Porisch, Heins, Petersen, Hooper, and Bauer's *Dollar Works 2: A Personal Financial Education Program* (2009, St. Paul, MN: University of Minnesota Extension, Action Page 9-1: Warning Signs of Too Much Debt, p. 207).

Use your list of dreams to create a SMART goal.

Remember that SMART goals are **S**pecific, **M**easurable, **A**chievable, **R**elevant, and **T**ime bound.

My SMART goal is...

To make sure your goal is SMART, write in what makes your goal specific, measurable, achievable, relevant, and time bound.

SMART characteristic	Questions to ask yourself	Your answers
Specific	What will I achieve? Who will benefit from the goal? What specific thing will I accomplish?	
Measurable	How much? How many? How will I know when it's done?	
Achievable	Is this goal something that I can actually reach? Do I have the tools and support I need to accomplish this?	
Relevant	Is this something that I really want? Is now the right time to do this? Why is this goal important?	
Time bound	When will I reach this goal? Is the time frame reasonable?	

Make a plan for **Putting goals into action**

1. Pick a SMART goal that you want to achieve and break it up into steps.
2. Write down each step, the resources you'll need to achieve it, and the due date for completing it.
3. Pick a friend or family member to tell about your goal and check in with them on a regular basis. This will help you keep yourself accountable.

Select a SMART goal you want to achieve.

My SMART goal is...

Make an action plan for your SMART goal.

Steps List one specific step in each box for achieving your goal	Resources I need This can be things like tools, information, transportation, assistance, or money	Date to complete step	Who will I check in with? And how often will I check in?
1.			
2.			
3. 4.			

Stimulus Check FAQ

Stimulus Checks: Who Gets One, Who Doesn't?

How much is my stimulus check?

$1,200
For Individuals

whose adjusted gross income (AGI) is **$75,000** or less

$2,400
For Married Couples

whose AGI is **$150,000** or less

$1,200
For Heads of Household

whose AGI is **$112,500** or less

+$500 per child claimed as a dependent

What if my income is higher?

Individuals		Married Couples		Head of Household	
Adjusted Gross Income	Stimulus Check Amount	Adjusted Gross Income	Stimulus Check Amount	Adjusted Gross Income	Stimulus Check Amount
$ 75,000	$ 1,200	$ 150,000	$ 2,400	$ 112,500	$ 1,200
$ 80,000	$ 950	$ 160,000	$ 1,900	$ 117,500	$ 950
$ 85,000	$ 700	$ 170,000	$ 1,400	$ 122,500	$ 700
$ 90,000	$ 450	$ 180,000	$ 900	$ 127,500	$ 450
$ 95,000	$ 200	$ 190,000	$ 400	$ 132,500	$ 200
$99,000+	$ 0	$ 198,000+	$ 0	$ 136,500+	$ 0

The above amounts are incremental examples. The check amount decreases by $5 for every $100 above the income threshold.

CLICK HERE to use the stimulus check calculator and estimate what you will receive

CLICK HERE for a definition of Adjustable Gross Income (AGI)

Original article: KHOU'11

MONEY

What you need to know to get your stimulus check: View IRS Frequently Asked Questions

WASHINGTON — The Treasury Department and the Internal Revenue Service announced that distribution of economic impact payments will begin in the next three weeks and will be distributed automatically, with no action required for most people.

However, some seniors and others who typically do not file returns will need to submit a simple tax return to receive the stimulus payment.

The IRS released this information on March 30.

Who is eligible for the economic impact payment?

Tax filers with adjusted gross income up to $75,000 for individuals and up to $150,000 for married couples filing joint returns will receive the full payment. For filers with income above those amounts, the payment amount is reduced by $5 for each $100 above the $75,000/$150,000 thresholds. Single filers with income exceeding $99,000 and $198,000 for joint filers with no children are not eligible.

Eligible taxpayers who filed tax returns for either 2019 or 2018 will automatically receive an economic impact payment of up to $1,200 for individuals or $2,400 for married couples. Parents also receive $500 for each qualifying child.

How will the IRS know where to send my payment?

The vast majority of people do not need to take any action. The IRS will calculate and automatically send the economic impact payment to those eligible.

For people who have already filed their 2019 tax returns, the IRS will use this information to calculate the payment amount. For those who have not yet filed their return for 2019, the IRS will use information from their 2018 tax filing to calculate the payment. The economic impact payment will be deposited directly into the same banking account reflected on the return filed.

The IRS does not have my direct deposit information. What can I do?

In the coming weeks, Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online so that individuals can receive payments immediately as opposed to checks in the mail.

I am not typically required to file a tax return. Can I still receive my payment?

Yes. People who typically do not file a tax return will need to file a simple tax return to receive an economic impact payment. Low-income taxpayers, senior citizens, Social Security recipients, some veterans and individuals with disabilities who are otherwise not required to file a tax return will not owe tax.

How can I file the tax return needed to receive my economic impact payment?

IRS.gov/coronavirus will soon provide information instructing people in these groups on how to file a 2019 tax return with simple, but necessary, information including their filing status, number of dependents and direct deposit bank account information.

I have not filed my tax return for 2018 or 2019. Can I still receive an economic impact payment?

Yes. The IRS urges anyone with a tax filing obligation who has not yet filed a tax return for 2018 or 2019 to file as soon as they can to receive an economic impact payment. Taxpayers should include direct deposit banking information on the return.

I need to file a tax return. How long are the economic impact payments available?

For those concerned about visiting a tax professional or local community organization in person to get help with a tax return, these economic impact payments will be available throughout the rest of 2020.

Where can I get more information?

The IRS will post all key information on IRS.gov/coronavirus as soon as it becomes available.

The IRS has reduced staff in many of its offices but remains committed to helping eligible individuals receive their payments expeditiously. Check for updated information on IRS.gov/coronavirus rather than calling IRS assistors who are helping process 2019 returns.

Department of Family and Consumer Sciences

TRIAGING YOUR DEBT DURING A MONEY CRUNCH

March 2020
Christopher T. Sneed, Assistant Professor
Ann A. Berry, Professor
Department of Family and Consumer Sciences

A money crisis can happen to anyone as a result of a layoff, illness, death of a family member, divorce or overspending. If you're in crisis, you may be tempted to postpone making hard financial decisions until creditors begin calling. It's easy to feel overwhelmed when a number of creditors are making demands or threats. Setting clear priorities about who gets paid first can help you overcome "debt paralysis" and deal with your finances in a positive way.

LEVEL I: First Priority Expenses

Rent/Mortgage. Try to avoid homelessness at all costs. Keep mortgage and rent current. There are practically no government resources to assist and the need is too large for most faith-based and help organizations to pay. Landlords will often send an eviction letter if rent is two to four weeks late and tack on late charges. You can also try to negotiate with your lender/landlord, explaining your current situation.

Utilities. Use government resources first if eligible. Often there are help agencies that will assist one time if there is a cutoff notice. Obtain a free cell phone if eligible. Drop cable and Internet and reduce energy usage as much as possible.

Food. Immediately check eligibility for SNAP (food stamps) and start going to faith-based groups or other food banks two times a month. Reduce your normal budgeted amount right away — no eating out.

Medical. Pay for necessary prescriptions if you cannot get them free from a physician. Check with the pharmaceutical company to see if they have programs for limited income individuals

Transportation. Make auto payments and insurance payments. If your car payment is high, trade down quickly. Sell extra cars (such as teenagers' vehicles) if they're not used for work. Use public transportation or car pool if possible. Teenagers can ride a school bus. Drive only to get to work and the grocery store or pharmacy.

Child Care. Try to find family or friends to help if possible.

Non-food Items. Try to get the basics at food pantries. Borrow from family. Shop dollar stores.

Payroll Deductions. Determine if benefit deductions can be temporarily reduced to increase pay.

LEVEL II: Second Priority Expenses

Cell Phone. Decrease your plan, use very limited minutes, or change to a pre-paid card.

Homeowner's Insurance. If not paid through mortgage escrow.

Child Support and Other Legal Judgments.

Taxes.

Car Maintenance. Do only the repairs necessary to keep the car running.

Minimum Payments on Credit Cards and Loans. Make only minimum payments on credit cards and loans. Call your creditors and explain your financial situation to see if you can arrange a different or reduced payment plan.

IMPORTANT

You cannot choose to **not** pay your bills. You must reach out to those you owe money to inform them of your circumstances and set up a payment plan. You may do this over the phone first. However, be sure to follow up in writing so you have a record of your conversation and their agreement to your payment plan.

Medical Bills. Defer medical bills until all Level I and Level II expenses are current. Be sure you contact those you owe to inform them of your situation. Most medical facilities are willing to work with you.

Level III: Optional Spending

School Expenses. Ask if children are eligible for free or reduced lunch, waivers for field trips, sports and other activities.

Clothing. Purchase no clothing at all until essential expenses and debt are caught up and a small emergency fund is established.

Note … Payday loans and other quick credit options may seem like a good alternative when you are in a money crunch. However, these options are deceptively easy and can become financially costly for you over the long term. Before choosing to take out a payday loan or other form of quick credit, think about the costs you will pay, whether you want to borrow, and how you will pay back the loan.

Adapted and revised by Christopher T. Sneed, PhD, and Ann A. Berry, PhD, from "Who gets paid first when you're in a financial crisis" by Carolyn Hansen, Knoxville Compassion Coalition, 2011.

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Department of Family and Consumer Sciences

STEPS TO STABILIZE YOUR FINANCIAL SITUATION

March 2020
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When faced with a money crisis, it is important to act quickly, yet deliberately. The suggestions below are designed to help you as you work to stabilize your financial situation.

Step 1: Prioritize your spending and set spending limits.

- Identify non-essential expenses and eliminate them. Cancel your cable, streaming and other subscriptions. Cancel gym memberships.
- Review your credit card statements for automatic payments and set it up for a minimum payment. For other automatic subscriptions or non-essential expenses, cancel the payments.
- Modify your phone(s) contract(s).
- Decrease use of vehicles and consider carpooling.
- Eliminate eating out.
- Review childcare needs.

Step 2: Contact all lenders immediately even if you have not yet had a late payment. Let them know what's going on and determine if they are willing to work with you. Remember to write down the name and contact of everyone you talk with and make notes about your conversation and its outcome.

- Let your mortgage company or landlord know that you're in financial crisis. In the case of your mortgage, ask to speak to someone in loan mitigation.
- Contact credit card companies and other lenders in writing to ask them to decrease or defer payment.
- Identify community resources.
- Locate local food pantries.
- Apply for SNAP (food stamp) benefits.
- Apply for assistance with utilities. Ask your utility company who might be able to help.
- Call 2-1-1, Tennessee's community services help line. When you call, you'll get a real person who is trained to help you sort out your needs and give you phone numbers of the nearest places where you can get help. You can also reach them at tn211.mycommunitypt.com.

Step 3: Identify and evaluate your resources.

Generally speaking, you do not want to go into more debt in an attempt to pay your bills. Instead, think about what other resources you might have. As you do, consider the following:

- If you have an emergency fund (regardless of the amount), now is the time to use that money. You can rebuild your emergency fund at a later date once your income has stabilized.
- Get back any money that is due to you. If you have loaned money to friends or family, now is the time to reach out to them to ask for repayment. Even if they can't repay you all that you have loaned them, any amount will help.
- Sell items that you no longer need. Consider selling larger items or items of higher value through online listings or through an online auction site.
- Pick up a side job. If time allows, pick up some sort of side work that can help you earn a little extra cash during your money crunch. This does not have to last forever. You can always stop your side job once you are back on your feet financially.
- If you have a room in your home or extra space in your yard, rent it to raise some additional income.

- Trade resources or talents with friends, neighbors or community members. You may have objects that you may need and those that are willing to share with others. Is there a way to trade or share so that you reduce actual spending? For example, you may have extra food to prepare but need childcare services. Can you trade with a family member or neighbor?

Adapted by Christopher T. Sneed, PhD, and Ann A. Berry, PhD, from "What to do when you're in a financial crisis" by Carolyn Hansen, Knoxville Compassion Coalition; Dena Wise, UT Extension, 2011.

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Department of Family and Consumer Sciences

IDENTIFYING YOUR RESOURCES

March 2020
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We all need help from time to time, especially in times of financial, social or work challenges.

This publication is designed to help you think through the support systems you have such as family members, reliable friends, neighbors, faith community, etc. Think about your needs, then about your support systems and how they could come around your family to help. Don't feel bad asking for support; tapping into ministries, groups or individual counseling opportunities is what helps us through challenging times. They are there to help.

Review the resource list below and identify how they can best help you meet your needs. This is called resilient thinking.

Identify Your Support Systems

Use the spaces below to identify who could be of help during a time of financial, social or work challenges:

Family:

Friends:

Neighbors/Coworkers:

Faith Group/ Faith Leader(s):

Professionals:

Identify Your Strengths

Identify your family's skills, abilities and strengths. How might they increase family income quickly?

Inventory each member of the family; determine what skills each of you has. Find second jobs of any type and part-time work. Look for self-employment opportunities that could create "gig work" based on your skills, talents and availability.

Family Members	Strengths and Abilities	Possibilities for Producing Income

Adapted and revised by Christopher T. Sneed, PhD, and Ann A. Berry, PhD, from "What to do when you're in financial crisis" by Carolyn Hansen, Knoxville Compassion Coalition, 2011.

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FE274 (Revised March 2020)

What to Do When Your Income Drops

Carrie Johnson
Personal and Family Finance Specialist and Associate Professor

An abrupt reduction in family income can be a traumatic experience psychologically and financially. But you have ways you and your family can minimize the hardship.

First, don't panic. Give yourself time to get over the initial shock and then start making plans. Don't blame yourself or anyone else. Just concentrate on dealing with the situation. Here are some things you can do:

- Take stock of family and community resources.
- Recognize that your life will be different, at least for a while, but you and your family still can be in control of your household financial affairs.
- Start making adjustments immediately by setting priorities for spending.
- Involve the entire family in setting these priorities.
- Plan to pay creditors and protect family welfare.

Make every effort to maintain positive family relationships and not allow financial pressures to destroy these bonds. Recognize that family income will be reduced and the past level of spending will have to be lowered.

Give full attention to the feelings of others. Be especially sensitive to your children's interpretation of the situation. Help children understand that although reduced income is a serious problem, it does not change the importance of any individual in the family. Family members, when working together, can more easily deal with the new challenges they face.

NDSU EXTENSION

North Dakota State University
Fargo, North Dakota

First Things First

Take stock of current family financial resources by calculating your net worth. Net worth tells how much a family is worth in dollars at a particular moment in time; it equals the difference between what you own and what you owe. A statement of net worth provides an important record of your current finances (Family Net Worth Statement Worksheet available on Page 3).

The next step is to compile a list of your family's nonfinancial resources that can be used to cut costs. Each family member likely can contribute toward operating the household more economically. In addition, consider belongings that could be sold to raise income. Be imaginative in assessing all of your resources and how they can best be used in hard economic times.

Depending on your circumstances, you may want to use emergency savings if available. If you decide to cash in a CD (certificate of deposit), talk with the financial institution where you purchased it to determine how much interest you will lose by cashing it out early. Obtaining a short-term loan using your CD as security might be less expensive. However, taking on new debt in turbulent times should be used as a last resort.

Examine Your Expenses

Your expenses hold the key to how well you do when dollars are scarce. If your family does not follow a spending plan, this is the time to start. Family input is essential, as is being realistic and flexible (Spending Plan Worksheet available on Page 4).

You should separate your family living expenses into fixed, flexible and occasional expenses. Fixed expenses are expenses that you pay every month and the amount does not change. They include things such as mortgage/rent, installment credit and insurance. Flexible expenses include those you pay every month but the amount changes. Examples of flexible expenses include groceries, gas, utilities and entertainment. Finally, occasional expenses are those that do not occur every month.

Don't forget to come up with a list of these occasional expenses so they don't throw your monthly spending off.

Flexible expenses are the easiest for families to examine and make changes. Be creative in how to cut expenses. Remember, you still want to live comfortably. Here are some suggestions for cutting flexible expenses:

- Agree to discuss purchases over a certain amount with your family members before buying.
- Control impulse buying. Make a shopping list and stick to it when in the store.
- Comparison shop. Purchase items on sale or buy in bulk.
- Avoid waste; conserve your resources. Don't throw food away; have a leftover night or freeze uneaten foods. Bring food from home for lunch.
- Buy produce in season. Buy other things out of season. Use free or low-cost community services to substitute for entertainment costs.
- Avoid buying things on credit. The interest expense will make the item you purchase cost more in the long run.
- Do not drop insurance coverage. The need for insurance is magnified by the stress you may be experiencing. However, make sure you are not paying for duplicate coverage by having several policies.
- Do not cancel essential medical and dental appointments. In the long run, such inaction may prove to be more costly. Many professionals are willing to negotiate the payments if details are worked out in advance.

Contact Creditors

Don't be afraid to contact creditors to discuss payment options. If you are having trouble making payments, don't ignore correspondence. Most creditors are willing to work with you in these situations. They may delay payments temporarily, negotiate lower payments or move payment dates. But you are responsible for taking the initiative to contact the creditor.

If you can pay some debts but not all, set priorities. Pay those bills that:

- Meet needs (shelter, vehicle if needed to travel to work)
- Maintain vital services (utility, phone, transportation, insurance)
- Cost the most to postpone (late penalties, finance charges, repossession or disconnect/reconnect charges)

Find Community Resources

Many resources exist in our state to assist those coping with unemployment or other loss of income.

Job Service Centers

If you involuntarily lost your job and your previous employer paid into the unemployment insurance compensation fund, you may qualify for job insurance benefits. Filing for benefits immediately is important. You can find more information on the North Dakota Job Service website at www.jobsnd.com.

County Human Services

Professionals are available throughout the state who can help people who need services and supports (Supplemental Nutrition Assistance Program [SNAP/food stamps]), Temporary Assistance for Needy Families (TANF), heating assistance, Medicaid, basic care assistance, child care assistance, in-home and community-based services, supports for elderly and disabled individuals, personal care assistance, child welfare, and referrals to other local resources and programs. For more information visit the North Dakota Department of Human Services website at www.nd.gov/dhs/locations/countysocialserv.

Financial Counseling Services

Nonprofit credit counseling is available from the Village Family Service Center in person and online. To find what topics are covered and for more information, visit www.thevillagefamily.org.

FirstLink 2-1-1 Helpline

FirstLink is a free, confidential service available to anyone for listening and support, referrals to resources/help and crisis intervention. FirstLink answers the 211 hotline, the National Suicide Prevention Lifeline, and communicates via the text line 898-211.

When You're Back on Your Feet

When your financial situation has improved, be extremely careful not to follow the urge to overspend to "catch up" on all the things you have put off buying and doing. Again, the family needs to decide carefully which purchases that were delayed will need to be made first.

Family Net Worth Statement Worksheet

Date completed _____/_____/_____

Assets – What you own

Cash	
Cash	
Checking account	
Savings account	
Certificates of Deposit	
Cash value of life insurance	
Total Cash	

Investments	
Stocks	
Bonds	
Mutual funds	
Treasury bills	
Total Investments	

Property	
Primary residence (market value)	
Vehicle (current blue book value)	
Jewelry	
Art	
Collectibles	
Total Property	

Retirement Accounts	
IRA	
401k	
403b	
Total Retirement Accounts	

Accounts Receivable (Any outstanding income you expect to receive)	
Total Accounts Receivable	

Total Assets	

Liabilities – What you owe

Real Estate	
Primary mortgage	
Second mortgage	
Home equity loan	
Total Real Estate	

Installment Loans	
Vehicle	
Vehicle	
RV	
Boat	
Furnishings	
Appliances	
Total Installment Loans	

Personal Loans	
Student loans	
Medical	
Total Personal Loans	

Charge Accounts	
Total Charge Accounts	

Unpaid Bills	
Taxes	
Insurance	
Rent	
Utilities	
Total Unpaid Bills	

Total Liabilities	

Total Assets _____ — **Total Liabilities** _____ = **Net Worth** _____

Spending Plan Worksheet

Month _____

Income – Money Coming In

Item	Budgeted Amount	Actual
Total Income		

Expenses – Money Going Out

Item	Budgeted Amount	Actual
Fixed Expenses *(Examples: Rent/Mortgage, Vehicle payment, Student loan payment, etc.)*		
Total Fixed Expenses		
Flexible Expenses *(Examples: Groceries, Food away from home, Entertainment, etc.)*		
Total Flexible Expenses		
Occasional Expenses *(Examples: Vehicle registration, Gifts, Rental insurance, etc.)*		
Total Occasional Expenses		
Total Expenses		

What to Do When Income Drops was originally authored by Debra Pankow, Family Economics Specialist, North Dakota State University and Elizabeth Gorham, Extension Family Resource Management Specialist, South Dakota State University, 2007.

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Web only July 2007, March 2020

WHEN YOUR INCOME DROPS

Moving Forward

Experiencing 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.

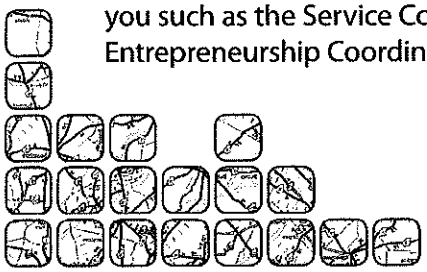
Simplify Your Lifestyle. No matter what choices you make, some things will have to go, even if only until things get better. Cutting back on spending can be the solution, too. You can decide to just adjust to the loss of income by changing the way you live. If your spouse or partner still works, it may 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.

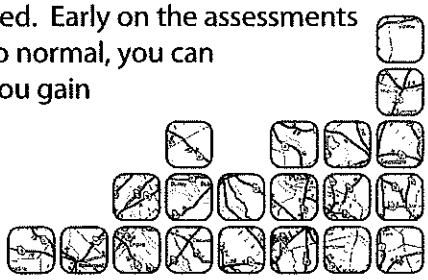
Priorities. What's most important? Prioritize your assets with an eye toward those you could easily part with should the need arise and those that you'd prefer to hold onto until you have no other options. You will also need to prioritize your spending needs. Setting priorities is a difficult but critical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

An 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

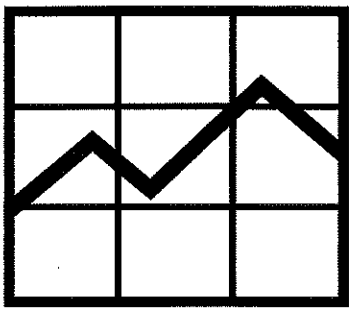
Financial experts recommend that you keep three to six months of living expenses in an emergency savings fund. If you have an emergency savings fund, it will help you through this crisis. You may have nothing more than the change in your piggy bank. Hopefully you have money set aside for emergencies 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.



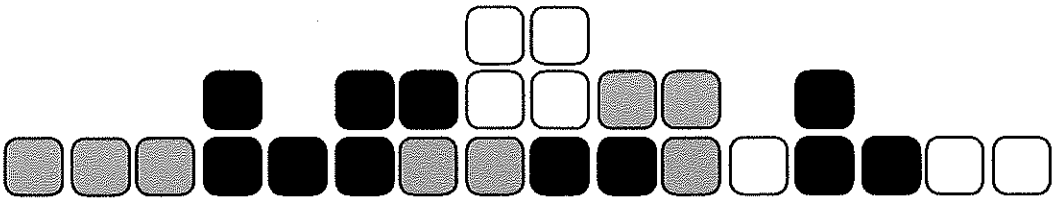
Investments set up on your own that are not part of an IRA or company retirement plan are good first choices. Which of your stocks, bonds, or mutual funds you decide to liquidate will depend on how that investment is currently performing in the market. Carefully consider the tax implications of any sale.

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 ½, 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. Some retirement plans allow hardship withdrawals without a withdrawal penalty. You should check to see if your retirement plan allows a hardship withdrawal for being unemployed.

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

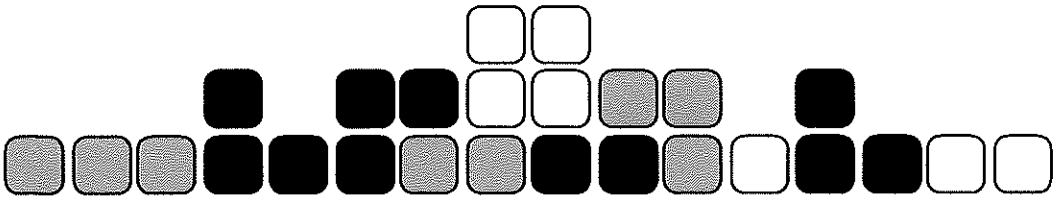
Tangible assets are used to maintain your living situation and often cannot be easily converted to cash. Even so, you do have options. Consignment shops and yard sales are a good way to clear out unused and unwanted items to raise money. Some items, like books, art, and jewelry may bring higher prices 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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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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WHEN YOUR INCOME DROPS

Insurance Matters

Every 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 dependents to continue your group health benefits for a period of time. If you qualify for COBRA coverage, you may 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 a 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, and, if the market value of your car is low, 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. 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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WHEN YOUR INCOME DROPS

Tap into Community Resources

Community 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.

More Helping Hands

The **Community Action Agency** is another important resource with programs to help with heating and cooling costs, child care, transportation, food, education, and emergency assistance. Georgia Community Action Agencies distribute food commodities to low-income and unemployed households. The commodities are received directly from a state contracted warehouse through orders placed with the state. Local distributions are advertised through public notices in advance of the distribution date. To find the location that serves your community, visit http://www.georgiacaa.org/contact.htm.

In most communities there are food banks, soup kitchens, and/or food pantries. Some food banks distribute food through brown bag programs to the elderly. To locate a food bank that serves your county, go to http://dfcs.dhr.georgia.gov/DHR-DFCS/DHR-DFCS_TEFAP/Food%20Banks7-10-06.pdf.

Soup kitchens provide meals to those in need on a regular basis. Food pantries distribute food for home consumption. Food pantries receive commodity foods from the local food bank in their area for a small handling charge. For more information on availability in your area, contact one of the food banks or community action agencies. For information about The Emergency Food Assistance Program (TEFAP), please contact the state office at (404) 463-2607, (404) 463-8042, or (404) 657-3742.

The **Salvation Army** is another excellent resource. To find a location that serves your community, visit http://www.salvationarmyusa.org/. As with many organizations, Salvation Army programs may vary from site to site. Services range from medical and dental assistance to sending children to summer camp or supplying gasoline, food, and clothing. Service units provide individual and emergency service according to general policies and the decisions of local committees.

Most faith-based organizations (churches, temples, mosques, and synagogues) help families in need. Some offer small amounts of cash, particularly if your circumstances are dire. Some have food pantries that can provide emergency food supplies. Some offer free or low-cost meals, especially around holidays. Others have youth groups that may do community service projects to collect canned goods or help in other ways. Most communities have ministerial or pastor associations that can provide information about how to access local programs.

Many communities also have civic groups or clubs that may have outreach programs of their own. Some of the civic groups you may look for are the Rotary Club, Kiwanis Club, Boys & Girls Club, 4-H, Civitan Club, Lions Club, Pilot Club, Civic League, or Habitat for Humanity.

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.atlantaprosperity.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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WHEN YOUR INCOME DROPS

Housing– Your Top Priority

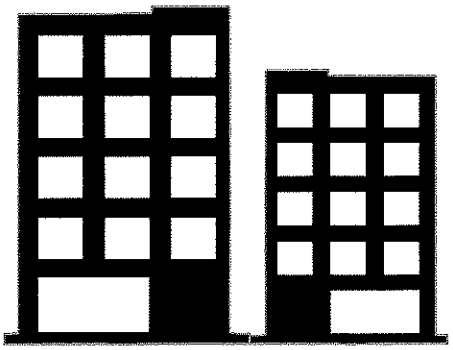
Keeping a roof overhead is an important concern when your income drops. If you rank your bills in order of priority, paying your rent or mortgage will always be at, or near, the top of your list. Housing, which includes mortgage or rent payments, insurance, taxes, household maintenance and repair, utility 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, visit the Georgia Department of Community Affairs website (www.dca.ga.gov).

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.

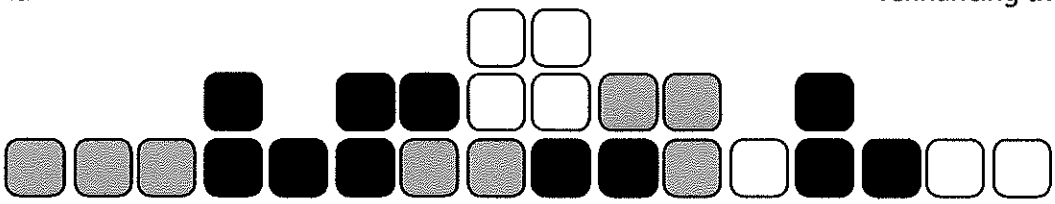
Avoiding Foreclosure

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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WHEN YOUR INCOME DROPS

Taking Care of You and Your Family

Losing 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.

Take Care of Your Family

Besides taking good care of yourself, you also need to make sure that the needs of others in your family are being met. You may be the one most directly affected by the current challenges, but you are not the only one. Losing a job affects every member of the family. Even small children who may not know what is going on are aware that something is different.

Too many changes at one time can be overwhelming for anyone—especially children. Stick to old routines and patterns as much as possible. Help your children stay in touch with their friends and pursue outside activities.

Replace family activities you can no longer afford with low- and no-cost activities. Consider biking, playing board games together, reading books aloud to each other, and visiting points of interest in the community. Enjoy fun, creative and often free programs offered for children at the library, local churches, youth centers and community parks.

Open communication is an essential ingredient in building strong families. Family meetings can make a big difference. Especially when times are hard, family members need an opportunity to discuss how they feel about the changes taking place. Allowing everyone in the household to offer suggestions for how to cope during this difficult time helps them to feel like part of the solution. Avoid blaming each other for the situation because that only creates more stress and doesn't produce positive solutions. Having everyone on the same team and working toward the same goals also helps children to feel like they are doing something to help.

Everyone needs to feel free to express themselves and to know that those who care about them will listen. Sometimes, just listening is enough. Sharing a problem or how you feel with another person can make a difference. Having all the answers is less important than being willing to actively listen.

Dealing with Stress

Taking care of yourself and your family means you need to understand stress and learn ways to manage your stress load. Stress is a normal part of life. But when your income drops your stress level generally increases. Allowing stress to build up leads to anger, headaches, depression, back and stomach problems, feelings of helplessness, self-hate, feeling tired all the time, eating more or eating less, having trouble sleeping, being sick more often, using more alcohol, and sexual problems.

Stressors are things that make you feel stressed. Learn to recognize what your stressors are and how you react when you are stressed. It often helps to make a list of the stressors. Identifying your stressors and your reactions to stressors will give you an opportunity to make a plan to fight back.

When life is stressful it is more important than ever to eat right, exercise, and get adequate sleep to reduce stress levels. Do not try to deal with your stress alone. Friends and family can be vital resources and sources of support. They can be someone to confide in or even someone who will keep your child so you can search for a new job.

Whatever your goal, planning to reduce stress will help you get things done. Focus on one stressor you can control. What can you do to prevent or deal with that stressor? Do you need to involve others to carry out your plan to reduce or eliminate the stressor? Having a plan to reduce stress for your job search, your week, and the future is the key to success.

Adversity can either separate us from loved ones or draw us closer together. It all depends on our reactions during those difficult times. Commitment to one another, open communication, personal responsibility and an understanding and caring attitude help create a climate of emotional well-being for the family even in the midst of challenging circumstances.

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Managing Your Personal Finances in Tough Times

Division of Extension

This website is designed to share trusted resources used or developed by Wisconsin Extension Financial Education professionals. It is designed to help people make sound financial choices in tough times. All materials are free for personal use.

If you would like to talk to a financial or housing counselor about your situation, **click here for the National Foundation for Credit Counseling (NFCC) website** or call 833-746-7577. NFCC is a network of nonprofit consumer credit counseling agencies that provide services online and over the phone. You can also contact your local UW-Madison Extension office for more financial information. **Click here to find your Extension office.**

NEW: Financial Resources to Help Get Through COVID-19

Topics to help address financial challenges:

1. **Talking with Family & Managing Stress**
2. **Creating a Budget**
3. **The Balancing Act: Cutting Expenses and Increasing Income**
4. **Keeping Up with Credit and Debt**
5. **Considering Foreclosure & Bankruptcy**
6. **Resources for Individuals with Disabilities**

Handouts on managing personal finances:

You may want to download or print the handouts below for later reading or to share with someone else.

Cutting Back and Keeping Up When Money is Tight Whether it's due to a drop in income, a big unexpected expense, or the cost of everyday living overtaking your paycheck, there are steps you can take to get a handle on your finances – and your financial stress.

Cómo reducir los gastos y estar al día con las cuentas cuando hay poco dinero (Cutting Back and Keeping Up When Money is Tight en Espanol) Ya sea por una reducción de ingreso, un gasto grande inesperado o porque el costo del diario vivir es mayor que su cheque de sueldo, hay pasos que usted puede tomar para controlar sus finanzas –y su estrés financiero.

Dealing with a Drop in Income Sometimes a household's income drops suddenly and drastically because of a job layoff, an illness or death, or a divorce. This document walks you through everything you need to know when times are tough and the bills keep coming after your income drops.

Dealing with a Drop in Income in Espanol: **Cómo Manejar una Reducción de los Ingresos**

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OWNER/CEO

I write, speak, and review content about personal finance.

Author of *Flipping A Switch: Your Guide to Happiness and Financial Security in Later Life*

The purpose of Money Talk is to improve readers' financial capability with research-based personal finance information.

Email address...

Wednesday, March 18, 2020

When Things Seem Out of Control, Control What You Can

Many things in our country now feel "out of control." Between COVID-19, a now fragile economy and bear market, rising unemployment, closed schools and universities patching together online courses on the fly, companies facing staggering losses, and governments struggling with massive deficits, it seems like everything is quickly headed south. Very rarely have so many Americans been affected in so many ways: health, finances, relationships (social distancing), education, and more.

Research indicates that "feeling out of control" is a major cause of unhappiness and stress. Most people don't like living without at least some type of game plan. That's why commuting always ranks high as a source of unhappiness. Commuters often run into unplanned obstacles such as traffic snarls, road closures, and weather-related incidents that force them to adjust their normal driving routines. Right now, many people are experiencing uncertainty and lack of control on so many fronts.

What to do? There is really only one thing that we can do. **When things seem out of control, control what you can**. We cannot control COVID-19 or the stock market or the closing of schools, stores, and companies, but that does not mean we are powerless. Below are seven things that we can all do to reduce COVID 19 stress:

- **Listen to CDC Advice-** Follow guidance from the Centers for Disease Control (CDC) to wash your hands often, avoid large crowds, and stay home as much as possible. A photo circulating on Twitter of two health care workers dressed in protective gear and holding two signs says it all: "I stayed at work for you" and "You stay at home for us."
- **Revise Your Spending Plan (Budget)-** Update (or create for the first time) a budget that reflects a best estimate of anticipated changes in your income and expenses for the next few months as a result of COVID-19 related impacts on the economy. A spending plan worksheet is available from the Rutgers Cooperative Extension website.
- **Practice Healthy Behaviors-** Eat nutritious food, get adequate sleep, exercise at least 30 minutes daily, and quit smoking. Create a new workout routine at home or by walking outdoors

About Me

Barbara O'Neill

Dr. Barbara O'Neill, CFP(R), AFC is the owner/CEO of Money Talk: Financial Planning Seminars and Publications. She writes, speaks, and reviews content about personal finance. A Distinguished Professor Emeritus at Rutgers University, she has written over 160 articles for academic publications and received over 35 national awards and over $1.2 million in grants to support financial education programs and research. She tweets daily personal finance information using the handle @moneytalk1

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if your gym has closed. Exercise has many benefits people need right now. It can help reduce stress, improve energy, burn calories, and boost your immune system.

- **Try to Be Early-** Time-shift shopping to buy food when supermarkets first open. Shortages of food and supplies are happening frequently and stores are closing earlier to restock their shelves. Be there early before supplies run low again.
- **Find Local Resources-** Seek out non-profit organizations and government agencies to help you. Examples include food pantries, utility assistance, and unemployment benefits. Thrift shops that remain open are another useful resource.
- **Play the Goodwill Card-** Take advantage of various "leniency" announcements for tax filing, interest rates, utility payments, school grades, and more. When so many people are affected by one crisis, there will always be some slack.
- **Create New Routines-** Develop a new weekday schedule for family members so everyone doesn't feel so "adrift." Include time for fun activities as well as telework and/or school assignments. Right now, many people are feeling the way retirees do on their first day of non-work. Putting some structure in your day can help reduce boredom and stress.

at March 18, 2020

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When Things Seem Out of Control, Control What You Can

Many things in our country now feel "out of control." Between COVID-19, a now fragile economy and bear market, rising unemployment, closed...

Take-Aways from a Government Report on Financial Education
I recently read a new report from the U.S. Treasury Department titled Federal Financial Literacy Reform: Coordinating and Improving Finan...

4th Edition of Money Talk: A Financial Guide for Women Available Online
Lack of financial savvy can put women (and men) at a substantial disadvantage. Statistics say it is only a matter of time before 85% to ...

Ten Key Personal Finance Recommendations for College Students
I recently guest lectured about personal finance for a class of non-finance majors at Rutgers University. Below are ten key "evergreen" re...

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FS592 (Revised March 2020)

Communicating about Money and Money Issues

Carrie Johnson
Personal and Family Finance Specialist
and Associate Professor

Talking About Money

Why should we talk about money? Didn't we learn as children that asking how much someone paid for something is impolite?

Unfortunately, severe consequences can result when money is not discussed. Many couples cite money problems as a factor in divorce. Consumers find they have been taken advantage of when they do not ask for estimates before buying goods and services. Many families are forced to deal with additional stress after the death of a loved one when financial matters were not communicated beforehand.

Communications Basics

When we communicate, what we say may not be as important as how we say it. Here are some types of money messages we may be giving (or getting) that can get in the way of what we really want to say:

- **Messages that order, direct, command or threaten can send the message that a person's feelings or needs are not important and may make the individual feel fearful and submissive.**
  Examples: *"You need to spend less on food." "If you don't control your charging, I'll cut up the credit cards."*
- **Moralizing or preaching messages that tell what should be done often result in resistance.**
  Examples: *"You really should control the budget better." "You aren't putting enough money in your savings account."*
- **Messages that judge, criticize or blame make a person feel inadequate, inferior or worthless.**
  Examples: *"Can't you ever balance the bank account right?" "You bought that worthless piece of junk?" "OK, Genius."*

Ways to Improve Communications

Use "I" Statements

The words you choose and your tone of voice can fuel or defuse an argument. Your spouse is more likely to hear you if you use "I" statements instead of "You" statements. "You" statements tend to be viewed as verbal attacks of blame and criticism. "I" statements focus on you and your feelings.

The three parts of an "I" statement:

1. **"I feel ..."**
   Make a clear statement of how you feel.
2. **"When ..."**
   Name the specific behavior that caused you to feel that way.
3. **"Because ..."**
   Say why the behavior or event is upsetting.

   Instead of saying this: *"You never communicate with me about the big purchases you make."*

   Try this: *"I feel frustrated when I do not know about big purchases because I don't want my debit card to be declined."*

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Money Meetings

Money meetings for your household are a great way to set family financial goals and plans while clearing any miscommunications. These are scheduled, purposeful meetings between you and your family. Meetings can involve working through goal setting, drafting a spending plan and preparing an annual family financial statement. You will reach financial goals quicker if you are all working toward the same goals and not competing.

Using money meetings for your family money communications can provide opportunities for compromise. Some key points to remember for a successful money meeting are:

- Set a time limit
- Have a focus
- Schedule regular meetings

Remember to use "I" statements, avoid blame and treat everyone with respect throughout the meeting.

Talking as a Wise Consumer

Don't be afraid to ask how much something is going to cost and get estimates in writing. Many consumers are faced with an unpleasant surprise when they receive a bill for goods or services when costs were not discussed in advance.

Talking With Professionals

Financial professionals can be a wonderful resource for personal financial information. Here are some questions you will want to ask when you meet with a financial professional:

- How are your fees determined and how will I be billed?
- What is your educational background and what credentials do you have?
- What is your area of expertise?
- What types of clients do you usually manage and in what income bracket are they?

One final question that is helpful to ask is, "What would you like to know about me?" In response, a professional should ask about your risk tolerance, investment goals, current knowledge about investing and current investments.

Talk About Money Activity

One common problem in marriages is disagreement over money. Unfortunately, "How much should we spend?" is less common than "You spent that much?"

By understanding your own money beliefs and your partner's money beliefs, you can better understand each other and the source of your money disagreements, and, we hope, find a more positive way of dealing with them. Money doesn't have to ruin relationships; instead, it can strengthen the bonds and teach you to work as a team.

The worksheet on the back can be useful in understanding people with whom you make money decisions. Fill out the worksheets on your own, and then share and discuss answers with your family members.

When Not to Talk

Personal financial information never should be shared with anyone you don't know and trust. Identity information, such as your Social Security number, credit card account number or ATM pin, never should be shared with others unless you initiate the transaction and are certain of the security precautions.

You may have received privacy notices from banks and other financial institutions about sharing your personal financial information. Federal privacy laws also give you the right to opt out of some of the sharing of your personal financial information. As a good consumer, take these steps when you receive a privacy notice:

- Read all privacy notices.
- Get answers to your questions from your financial company.
- If applicable, decide whether you want to opt out.
- If you decide to opt out, follow instructions in the privacy notice.
- If necessary, shop around for a financial institution that has a privacy policy with which you are comfortable.

Conclusion

Money needs to be talked about with clear communication and with people who are important to us: spouses, children, aging parents and financial professionals. Specific guidelines are available for establishing positive and healthy communication with each group.

Worksheet - Talk About Money

Directions: *Family members should answer these questions separately, then compare answers. The similarities and differences can spark a discussion of family money attitudes and practices.*

1. If you received $1,500 tax-free, what would you do with it?

   $_____ for _____
   $_____ for _____
   $_____ for _____
   $_____ for _____
   $_____ for _____
   $_____ for _____

2. Rank the following activities. Use 1 to indicate what you would enjoy doing most and 5 to indicate what you would enjoy least.

   _____ an evening at home with the family
   _____ a night on the town
   _____ involvement in physical activity
   _____ time with friends
   _____ some quiet time to myself

3. Do you agree (A) or disagree (D) with the following statements?

   A D I'm basically too tight with money.
   A D My spouse (or parents) is basically too tight with money.
   A D Equality in family decision making is important to me.
   A D I feel good about the way financial decisions are made in my family.
   A D Sometimes I buy things I don't need just because they are on sale.
   A D I believe in enjoying today and letting tomorrow worry about itself.

4. If you had to make a major cut in your current spending, what would you cut first?

5. I'd like to see us spend less money on_____ and see more money go for _____.

6. What money problem is the most frequent cause of argument?

7. What was the most sensible financial thing you have done in your family?

   What was the most foolish financial thing you have done in your family?

8. Do you know the dollar figures that go in the following blanks?

   Family take-home income is $_____ per week.

   Our monthly rent or mortgage payment is $_____.

   Money spent on food each month is $_____.

9. Buying on credit is

   _____.

Source: Money In Your Pocket, University of Georgia, Cooperative Extension Service BUC$, Cornell Cooperative Extension.

Communicating About Money and Money Issues was originally authored by Debra Pankow, Family Economics Specialist, 2003.

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FE1377 (Revised March 2020)

When Prices Rise: Living on Your Income

Carrie Johnson
Personal and Family Finance Specialist
and Associate Professor

An increase in the price of goods and services can be traumatic. When you have to pay for things such as gasoline, food and heath care, other difficulties may arise, especially if you and your family are living on a fixed income. Realizing that your income does not go as far as it used to, even in covering just the basics, can be alarming.

When prices rise, don't panic, but don't become complacent, either. Don't stop credit payments or ignore the fact that you are facing financial difficulties. Surviving a financial crisis will take work and planning, but it can be done. But act as soon as possible.

Prices are noticeably higher. What do I do first?

Jot down how you spend your income, if you do not already have a good idea, and then track your spending. You can use the spending tracker on Page 3. You may need to adjust your spending and follow a spending plan more closely (Spending Plan Worksheet available on Page 4).

Separate your family living expenses into fixed, flexible and occasional expense. Fixed expenses are expenses that you pay every month and the amount does not change. They include things such as mortgage/rent, installment credit and insurance. Flexible expenses include those you pay every month but the amount changes. Examples of flexible expenses include groceries, gas, utilities and entertainment. Finally, occasional expenses are those that do not occur every month. Don't forget to come up with a list of these occasional expenses so they don't throw off your monthly spending.

Communication is a family affair.

Many people try to hide financial problems from themselves or family members. Hiding financial difficulties from the rest of the family for long is nearly impossible, and it's not emotionally healthy. Not facing up to problems prevents you from taking positive steps forward.

Because financial decisions affect the whole family, talk to others about the present situation. Let them know about the need to change spending priorities. Involve all family members, regardless of their ages. Include your family decisions that must be made. As a family, discuss how income is spent, what is important and what is not so important. What must the family have in the next week? In the next month? In the next the next two months?

Don't burden family members with unnecessary worry, but do involve them; they may offer solutions or ideas not yet mentioned. Actively listen to gain a full understanding.

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Examine Your Expenditures

Your expenses hold the key to how well you do when needing to stretch your dollars farther. If your family does not follow a spending plan, this is the time to start. Family input is essential, as is being realistic and flexible. Be creative about how to cut expenses. Remember, you still want to live comfortably. Here are some suggestions:

- Before making purchases above a certain dollar amount, discuss the potential purchase with other family members.
- Control impulse buying. Make a shopping list and weight the importance of each item.
- Practice effective consumer skills. Comparison shop. Look at sale ads. Buy in bulk if possible. Look for cash discounts.
- Postpone the purchases of noncritical items (for example, furniture, technology or remodeling plans) if possible. Although prices may be tempting at end-of-season sales, carefully consider the purchase to ensure that you have the money needed for current necessities.
- Stop buying on credit.
- Do not drop insurance coverage or cancel essential medical and dental appointments. Postponing treatment may prove to be costlier in the long term.

Management Strategies

Conserve resources by using them wisely. Make your home energy efficient and consolidate shopping trips. Become more resourceful by cooking items from scratch or planting your own garden.

If you can't pay all of your bills, set priorities. After paying secured loans and basic essentials, pay those bills that:

- Maintain vital services (for example utility, phone, transportation, insurance)
- Have the highest interest rate/finance charges
- Cost the most to delay (bills that carry late penalties or may lead to repossession or disconnect/reconnect charges)

Be wary of quick, short-term, high-interest loans. If you miss just one payment, you could become saddled with a long-term, high-interest debt payment that seemingly never ends.

Remember

- You can control your financial situation if you plan carefully.
- Communicate with your family. Together, analyze what is important and decide on a plan of action.
- Examine your expenses. Be prepared to change your standard of living so you don't have to give up essentials.
- Don't default on payments. Contact your creditors, explain your situation and work with them to adjust.
- Begin to make plans for the future.

Spending Tracker

Dates: ______________________ to ______________________

Date	Item	Amount	Budget Category

Spending Plan Worksheet

Month _____

Income – Money Coming In

Item	Budgeted Amount	Actual
Total Income		

Expenses – Money Going Out

Item	Budgeted Amount	Actual
Fixed Expenses *(Examples: Rent/Mortgage, Vehicle payment, Student loan payment, etc.)*		
Total Fixed Expenses		
Flexible Expenses *(Examples: Groceries, Food away from home, Entertainment, etc.)*		
Total Flexible Expenses		
Occasional Expenses *(Examples: Vehicle registration, Gifts, Rental insurance, etc.)*		
Total Occasional Expenses		
Total Expenses		

When Prices Rise: Living on Your Income was originally authored by Debra Pankow, Family Economics Specialist, North Dakota State University and Elizabeth Gorham, Extension Family Resource Management Specialist, South Dakota State University, 2008.

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When Your Income Drops

Don't Panic – Take Control

If economic misfortune strikes you or your family in the form of reduced income, is there anything you can do to minimize the hardship? Yes! This set of Purdue Extension fact sheets suggests a number of steps you can take to maintain financial control. The titles of these fact sheets correspond to the steps you can take:

1) **Don't Panic – Take Control**
2) **Control Stress**
3) **Take Stock of Family Resources**
4) **Take Stock of Community Resources**
5) **Set Priorities for Spending**
6) **Plan to Pay Creditors and Protect Family Welfare**
7) **Keep a Roof Overhead**
8) **Meeting Insurance Needs**
9) **Sharpen Your Survival Skills**

Abrupt loss of income, whatever the reason, is traumatic. Often the financial setback was not anticipated. When it happens, a common instinct is to panic. Although natural, the temptation to tailspin must be avoided as much as possible. Remember the following:

Loss of income affects many people for many different reasons. It doesn't help to blame yourself and the energy you spend blaming yourself could be better spent dealing with your situation. Feeling the effects of stress is very human and very natural. Fact sheet 2, **Control Stress**, will help you develop and follow a plan to reduce stress and maintain control of your financial position.

Fact sheet 3, **Take Stock of Family Resources,** will help you take stock of what you own and what you owe. Fact sheet 4, **Take Stock of Community Resources**, provides a partial listing of important community resources designed to help you and others in times of economic or personal distress. Designing a family spending plan sets your family up for success by setting up a mechanism to control your spending. Fact sheet 5, **Set Priorities for Spending**, outlines steps in putting together and implementing a spending plan.

One of the most stressful outcomes of a loss in income is the worry that creditors are impatiently waiting for you to pay overdue bills. Fact sheet 6, **Plan to Pay Creditors and Protect Family Welfare**, gives suggestions for working with creditors to meet your outstanding obligations.

Keeping a roof overhead, the utilities hooked up, and essential insurance are top priorities when income drops. Fact sheets 7 and 8, **Keep a Roof Overhead**, and **Meeting Insurance Need**s, discuss these concerns. Fact sheet 9, **Sharpen Your Survival Skills,** has ideas for substituting, conserving, using your human resources, cooperating, and utilizing community resources to buy food, run your household, purchase clothing, choose transportation, and acquire the other things your family needs.

The publications in this series originally adapted by Purdue Extension specialists based on subject matter from a publication by Carol S. Kramer, Extension Specialist, Consumer Economics, Kansas State University, Manhattan, Kansas 2008. Revised March 2020.

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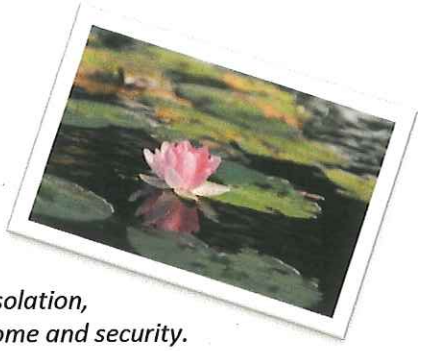

When Your Income Drops

Control Stress

The Covid 19 pandemic is causing major changes in our lives. These include social isolation, working from home, and for some, the inability to work. This leads to a drop in income and security. When this happens we are likely to become stressed as you cope with the worry of how you are going to pay your bills and care for your family.

It is important to understand some causes, effects, and ways of handling stress to cope with difficult times. Severe and prolonged stress of the type associated with events causing loss of income can have a serious effect on a person's physical and mental health. Stress-related exhaustion is believed to play a significant role in heart attacks, high blood pressure, cancer, some kinds of arthritis, migraine headaches, peptic ulcers, asthma, allergies, and kidney and thyroid disease. Stress alone probably does not cause these disorders; rather, it is one factor in their onset and progression. In addition, stress contributes to many types of accidents through human error, fatigue, worry, and haste.
If your income has dropped, suddenly you must cope with this worry as well as daily reminders-the bills piling up, the children needing shoes, medical treatment, or school supplies. Regardless of the source of stress, your body may react to it in three stages: alarm, resistance, and exhaustion.

Managing your well-being

What can you do? Concentrate your efforts on keeping your psyche, your family, and your body as strong as possible: ***Don't blame yourself*** for what has happened. Many other people are in your situation. Find support with friends, family, and others going through similar circumstances. The anger and depression you feel will gradually disappear. Recognize it for what it is - a natural and temporary feeling.

Don't keep anxiety and anger bottled up. Talk out your problems with your family or someone close to you. Be honest about your situation, your anger, your hurt, your confusion. Your spouse and children know when you are feeling tension. Others can help if you will let them.

Take one thing at a time. Set small goals and celebrate your progress. Don't try to resolve all your problems at once.

Keep yourself occupied, active, and involved. The loss of a job presents you with more time than you want to think about your troubles. Of course, you need to spend some time planning your future but don't allow yourself to worry continuously about these problems. Spend some of your time doing those family and personal things you've been postponing for years.

Keep yourself healthy through sensible diet and exercise. Although your family income may be sharply reduced, it is important to maintain good nutrition. Exercise regularly to keep fit, reduce tension, and help your self-esteem. Maintain medical and life insurance if possible.

A resource to help you manage your stress. https://extension.uga.edu/publications/detail.html?number=C1041-7
If you have stress related to contracting Covid 19: https://counseling.uci.edu/0_coping-with-stress.pdf

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When Your Income Drops

Take Stock of Family Resources

If your income has suddenly decreased, you may be worried about how you will have enough money for all of your expenses. In order to adjust your spending to fit your current situation, you need to know where you are financially. Use these steps to have a better picture of your financial situation and consider resources that can help you manage right now.

First, **determine your net worth**, which is your assets minus your liabilities. Your net assets include: liquid assets (cash on hand, checking and savings accounts, money market accounts, certificates of deposit, cash value life insurance); marketable assets (stocks, mutual funds, savings and other bonds); nonmarketable assets (individual retirement accounts, current value of pensions, money owed to you from others); and personal assets (market value of your home and other real estate, value of vehicles, boats, RVs, furniture and appliances). Your liabilities are what you owe. These include mortgage, home equity loan, vehicle and other loan(s), credit and charge account balances, current unpaid bills and any other debts. When you subtract your total liabilities from your total assets, the balance is your net worth. Take this a step further, and update or create your spending-savings plan.

Next, take a look at other **non-financial resources** your family has. These might include skills, education, ability, creativity, talents, time and energy. Although these resources are sometimes difficult to value in terms of money, they could help your family thought challenging financial times.

Now might also be a good time to consider **selling those things you've been meaning to** for a while. Have your children outgrown all of the baby items you still have? Do you have household and clothing items you no longer use, but are still in good condition? Do you find that you have too much "stuff"? Think about how you can generate extra income by selling items that are taking up valuable space in your home that someone else can put to good use. Consider the many online options to share what you have for sale, as well as how to transfer payment from buyer to seller.

Purdue Extension Health and Human Sciences has a wide range of resources to help you navigate through challenging times. Find us at https://www.purdue.edu/hhs/extension/, and on Facebook at Purdue University Health and Human Sciences Extension.

Calculate your household's net worth: Net Worth Statements-Colorado State Extension

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When Your Income Drops

Take Stock of Community Resources

The loss of income or a job can be a traumatic experience for individuals and their families. Many support services exist in Indiana to assist those coping with unemployment or other sudden loss of income. This fact sheet presents an overview of the major resources that people can draw upon when they find themselves out of a job or in economic difficulty.

- **Unemployment Insurance:** Indiana's unemployment insurance is funded by an employer payroll tax and administered by the state's Department of Workforce Development. If your previous employer is covered by the Indiana Employment Security Act, you should file a claim for unemployment insurance immediately. Apply online by visiting https://www.in.gov/dwd/2362.htm

- You can also receive valuable job-hunting assistance at one of the **WorkOne** centers. They provide computerized job listings, which are updated daily, and civil service bulletins that list job vacancies. WorkOne centers have trained counselors who also try to match jobs with persons needing work. Visit: https://www.in.gov/dwd/WorkOne/locations.html

- **SNAP-(Supplemental Nutrition Assistance Program):** You may qualify for SNAP if you work for basic wages, if you are unemployed or work part-time, if you receive TANF or other assistance payments, if you are elderly or disabled, or if you live on a small income. Program provisions are slightly different for the elderly and disabled. To apply online visit https://fssabenefits.in.gov/bp/#/

- **Township Trustee:** Township trustees provide help to township residents who do not have enough income and resources to meet their own needs. The trustee determines who is eligible for assistance. Visit http://wayeo.egis.39dn.com/ key in your home address and then click the Township tab.

- **Health Services-Indiana:** Medicaid-provides a broad range of health services to low-income persons. Visit https://www.in.gov/medicaid/ Persons receiving TANF, SSI payments, or Social Security disability payments and individuals or families meeting income and resource guidelines are eligible for Medicaid in Indiana.

- **Legal Assistance:** Persons with limited income can get legal assistance from a Legal Aid office. Legal counseling can be very helpful if you are facing possible legal difficulties. Legal Aid offices generally handle civil cases; they do not handle bankruptcies, misdemeanors, traffic violations, or criminal cases. Visit https://www.indianalegalservices.org/

- **Use 2-1-1:** Helping Hoosiers live better. 2-1-1 is a free and confidential service that helps Hoosiers across Indiana find the local resources they need. Dial 2-1-1 to connect with a navigator. They are available 24 hours a day, 7 days a week. Visit http://211.org/pages/about

- **Aunt Bertha's:** This network connects people seeking help and verified social care providers that serve them. Visit https://www.auntbertha.com/

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When Your Income Drops

Set Priorities for Spending

If you or your family are faced with a reduction or loss of income, you'll need to develop a plan to help you meet your expenses. It's important to look realistically at the situation and actively seek solutions to your problems, despite the discomfort it will initially bring.

Update, or create for the first time, a budget (also known as a spending plan). It should reflect a best estimate of anticipated changes in your income and expenses for the next few months as a result of Coronavirus-related impacts on the economy. A **spending plan worksheet** is available from Purdue Extension:
Spending-Savings Plan Wksht.pdf

Start by listing what money is available. How much income can be expected? Do you have cash on hand? Unemployment income? Food stamps? What is the total amount of money that will be available to use for expenses?

Next, list all your expenses and when they are due. Eliminate any expense that is not essential. What expenses can be delayed? Contact your creditors, most have a Coronavirus relief plan. Many are waiving fees and/or allowing interest freezes.

1. **Keep a roof over your head**: If Coronavirus has impacted your ability to pay your mortgage, you must contact your bank or mortgage company and ask them what relief is available to you. The lender should be able to work with you and set up a new plan. If you make a late or reduced payment without contacting the bank, those payments will be reported to the credit bureaus. If you establish a new payment plan, you will need to follow through on the new plan to keep your credit history in good shape.

2. **Make sure you have food to eat and the medicine you need**: Utilize food pantries and sign up for SNAP benefits at https://www.in.gov/fssa/dfr/2999.htm. Contact your doctors if you are having trouble paying for your prescriptions, they may be able to offer a cheaper medication or direct you to a medical program that can assist with the cost.

3. **Keep the utilities operating**: Most utility companies have indicated that they will not cut off service because of nonpayment during the Coronavirus pandemic. Contact your utility company and ask for assistance if you are having trouble paying the bill.

4. **Loans and credit**: Contact your lender if you have car loans, student loans, or credit cards that you cannot pay. Many lenders can offer some relief.

When your income drops unexpectedly:

- Figure out how much you can spend.
- Keep track of how much you are spending.
- Decide what you can eliminate.
- Work with creditors to pay bills.
- Explore ways to increase your income.

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When Your Income Drops

Plan to Pay Creditors

If your income has dropped, you and your family should openly discuss the situation and make a plan. Working together will help everyone realize that changes and sacrifices must be made, at least for the immediate future.

If you cannot make your payments to creditors, you will need to contact them and talk to them about your new situation. Before you talk to creditors you will need to determine how much money you owe and how much money you will have to pay your bills.

You are legally obligated to pay all of your creditors. However, if you cannot make all of your payments you should strategize the best way to handle the payments. If you don't have enough money, bills should be paid back based on what will happen if you don't pay your bills. Things to consider include: Is the loan secured with property, car, or other assets? How much interest are you paying? What will happen if you don't pay on time? Is there a grace period, penalty, does the full loan become due, will utilities be cut off?

Here are some examples of **debts you want to pay back first**:

- Housing, and any loan for which your home has been used as collateral
- Utilities
- Car loan
- Other secured loans
- Credit cards and other unsecured debt
- Student loans
- Installment loans on household goods
- Loans without collateral, such as attorney fees, doctor, and hospital bills

If you cannot make your credit payments, contact your creditors before they contact you. Tell them why you cannot make the payment and ask if they will work with you to create a plan to pay the bill.

Questions for consideration:

- Will the creditor accept a reduced payment? How long will a lower payment be accepted?
- Will the creditor reduce or eliminate the finance charge? If so, for how long?
- What is the reconnection fee if this service is discontinued and restarted later?

****NOTE:** If the Coronavirus pandemic has impacted your ability to pay your creditors, contact them as soon as possible for peace of mind and to avoid damaging your credit history. Most creditors have a Coronavirus relief plan to help consumers get back on their feet. Relief for mortgages, student loans, utilities, and credit cards have been announced.**

Experiencing a loss of income can be devastating. There are a variety of community resources that can help you. Taking control and mapping out a plan will help you weather the storm.

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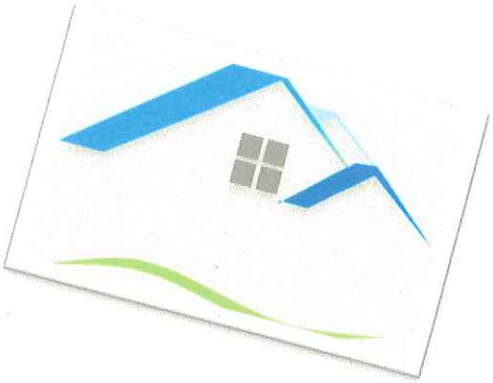
When Your Income Drops



Keep a Roof Overhead

When you rank your bills in order of priority, chances are shelter and utilities are at the top of the list.

Contact the lender. Explain your situation and try to work out an alternative payment schedule. Before calling, prepare a projection of income and expenses, and a plan for continuing to meet at least part of the payments. If you are having trouble paying your mortgage loan, consider talking to a counselor approved by the U.S. Department of Housing and Urban Development. Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues. These counselors are available at little or no cost to you.

Contact your utility providers. If you are having trouble meeting payments, contact your utility provider. The utility company will work with you on a payment schedule. You may be asked to sign a "pay agreement" laying out the manner in which you will meet your obligations. If you are having trouble paying your utility bills, contact your township trustee, your county's office of the Division of Family and Children, or connect with a resource navigator at Indiana 211, to assist with utility bills.

Think of alternatives. Consider alternative ways to cover mortgage payments. Could you rent a spare room or share the house and the mortgage payments with others? Assess your housing options realistically. If you rent your home or apartment, be familiar with the terms of your lease. More mortgage repayment options can be found on the Consumer Financial Protection Bureau's website.

Be aware of fraud & scams. Unfortunately, scammers take advantage of desperate situations. If information sounds too good to be true, it is probably a scam. Be aware of fraudulent advertisements from companies willing to pay your mortgage, lower your interest rate, refinance a loan or save your home from foreclosure. Indiana Attorney General, Curtis Hill has provided a list of tips to avoid phishing scams during the coronavirus pandemic. Stay current on scam and fraud alerts by visiting the Indiana Attorney General's Website.

Know your rights. During this state of emergency, Governor Eric Holcomb has announced that no residential eviction proceedings or foreclosure actions may be initiated, and providers of essential utility services are prohibited from discontinuing service to customers. This does not relieve the individual of obligations to pay rent or mortgage payments. Read the full temporary prohibition on eviction and foreclosures executive order online.

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When Your Income Drops

Meeting Insurance Needs

If you have lost your job due to the COVID-19 pandemic, an important concern is maintaining your insurance coverage. Unemployment is stressful and can sometimes lead to health problems in the family.

If you are covered under a **company group health plan**, find out what provisions exist for extending insurance coverage after a separation. Employers with 20 or more employees are required to offer continuation of health coverage for you and your dependent(s) for up to 18 months under COBRA group health insurance plans. If you wish to continue your group coverage under COBRA, notify your employer within 60 days. You will have to pay the entire premium.

If COBRA does not apply in your case, you may be able to convert your group policy to individual coverage. When converting, you may not have to pass a medical exam; however, benefits may be reduced and premiums will probably be higher. A third option may be to become covered on your spouse's group health insurance. Check if and when your spouse could add family coverage.

A fourth option is to investigate buying insurance through the **Healthy Indiana Plan (HIP 2.0).** It is an affordable health insurance program for uninsured adult Hoosiers. HIP 2.0 pays for medical expenses and provides incentives for members to be more health conscious. To find out if you may be eligible to participate in the Healthy Indiana Plan, visit www.in.gov/fssa/hip/ or call 1-877-438-4479. Additionally, there are health services for the elderly, disabled, children and pregnant women. These may include immunization programs, well baby clinics, blood pressure checks, free health clinics and screening programs. Check with your county public health department and social service agencies for recommendations.

If you have **life insurance**, try not to let it lapse if others depend on your income or wage-earning capacity. Your policy could be expensive or impossible to replace later. Owners of **whole life insurance policies** can borrow against the cash value or use accumulated dividends to pay the premium to keep the insurance in effect. The loan reduces the face value of the policy.

Life insurance protects your dependents against loss of income and helps to pay expenses because of your untimely death. If you no longer have dependents, you may want to cash in your whole life policy when your income drops.

If you have a **group term life insurance** through an employer, this is pure protection without a cash value or savings feature. If you are uninsurable elsewhere, you may want to convert your former employer's group plan into an individual policy. If you are healthy, insurable and need coverage, you may benefit from purchasing **individual term life insurance.** This insurance usually provides maximum protection at the least cost. It insures your life for a fixed period of time and benefits are paid only if you die within that time period.

As with all insurance, evaluate your needs before talking with an agent. Determine your income and living expenses to help you decide how much insurance you need and what you can afford.

For questions about insurance in Indiana, contact the Indiana Department of Insurance, https://www.in.gov/idoi/

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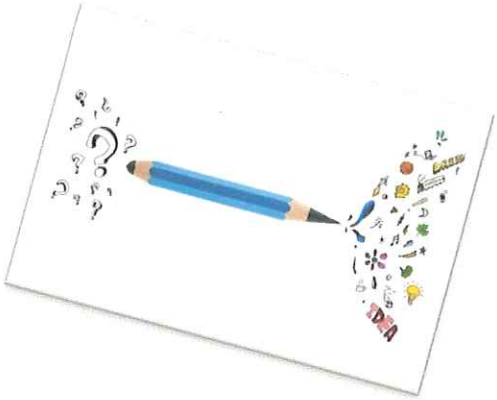

When Your Income Drops

Sharpen Your Survival Skills

Challenging times can wear us down. There are so many decisions to make and the answers are often not clear.

Pause and take time to write out some simple possibilities that allow you to ***economize*** - *using what you have for the most good* in terms of meeting your needs and wants.

Recognize that you may have a wide variety of resources beyond finances to work with: knowledge, skills, energy, personal property, personal connections, community resources, home, special interests or hobbies, collections, time, tools, and/or technology devises.

To economize, think of ways to:

- ***Substitute*** less costly resources for more costly ones: walk instead of drive, play board games instead of watching costly cable-on-demand movies, plan purchases instead of items bought on impulse. Use creativity with the ingredients you have when preparing a meal.
- ***Conserve*** your resources and avoid waste: repair clothing rather than replace, control thermostat settings, use older food first, and protect what you have through proper care.
- ***Use*** resources in new ways: plant a garden in containers, learn a new skill through the internet, and identify new ways to use items as on Pinterest, create a compost pile.
- ***Cooperate*** with others to multiply your resources, even if it needs to be done in nontraditional ways via phone or computer: swap items or services, check out community resources, and work together as a family to divide tasks.

If there are multiple people in the household, be sure to talk about options by brainstorming ideas, evaluating which are best alternatives to try, and developing a plan for implementation. This encourages greater cooperation in reaching your goals to economize.

Yes, you may need to make changes from how you have done things in the past to economize. That is part of the sharpening process.

Your survival skills work best when they are sharpened by thinking matters through and developing a plan which you can work on together!

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Assessing Your Financial Situation

Assessing Your Financial Situation

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Welcome to the Starting Over After Foreclosure Toolkit

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

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

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

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

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STEP 1:

Organizing Family Records

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

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

TRY IT!

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

STEP 2:

Develop a Spending Plan

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

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

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

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Procedure to Develop a Spending Plan

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

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

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

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

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

TRY IT!

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

Simple Rules for Developing a Spending Plan

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

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

Which Bills Should I Pay First?

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

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

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

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

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

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

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How much do you still owe on the loan?

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

TRY IT!

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

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

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

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

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

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Recommendations:

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

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

TRY IT!

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

Living on a Reduced Income

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

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

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

STEP 3:
Determine Your Net Worth

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

What Is Included in a Net Worth Statement?

Assets – Liabilities = Net Worth

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

Table 1. Family Assets Inventory*

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

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

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

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

TRY IT!

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

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

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

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

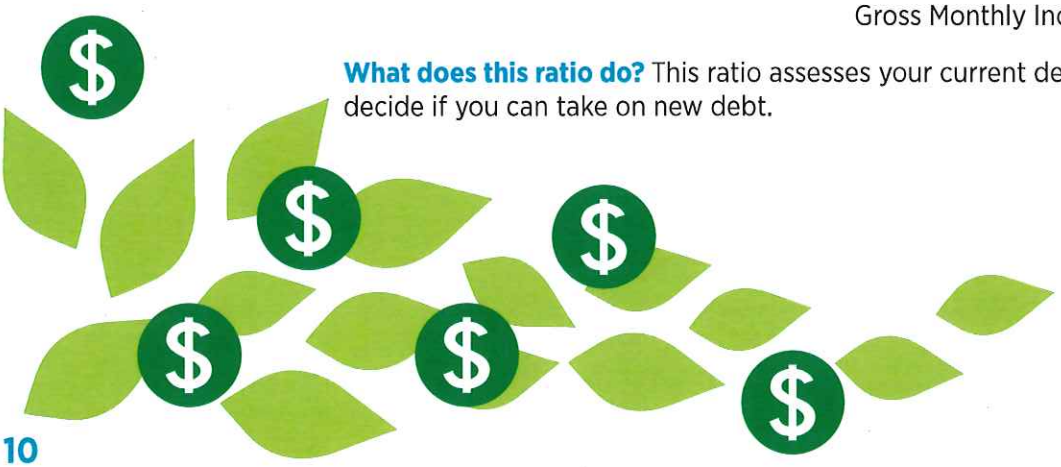
STEP 4:

Are You Ready to Take on New Debt?

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

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

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



How Much Debt Is Too Much to Take On?

If your debt to gross monthly income ratio is:

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

TRY IT!

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

Should You Consolidate Your Loans?

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

Your Repayment Plan

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

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

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STEP 5:

Manage Your Spending

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

TRY IT!

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

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

STEP 6:

Summarize Your Current Financial Situation

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

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TRY IT!

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

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Monthly Spending Plan

Month_____20____

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

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

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

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

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

Non-Monthly Expenses

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

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

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Balance Income & Expenses

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

General Brainstorming About Options
What are the possibilities for changing your cash flow?
What is this costing you?
What ideas do you want to look into?
What are your priorities?
Where do you feel successful?
What's untouchable or non-negotiable?
Income Options
What are ways to increase your income, including get a better job or decide that additional family members will work?
Is there anything you can sell?
Would you be willing to ask a tax professional to review your returns and paystubs to help you maximize deductions, credits or take-home pay?
Would you be willing to look into eligibility for any public or private benefits?

Balance Income & Expenses, continued

Expense Options

What are ways to reduce your spending, based on needs versus wants?

What could you cut back on temporarily?

Can you cut back on groceries or dining out? Can you take your lunch to work?

Can some utility services (home and cell phones, Internet and cable) be eliminated or decreased?

Can you reduce childcare costs?

Can you eliminate the use of credit cards?

What fun things can you do that don't cost money?

Do you have any spending leaks or daily money drains? (Without you really noticing them, these expenses zap money regularly from your budget without adding value to your life.)

Supports

What would help you change your spending habits?

Actions

What could you do right now to improve cash flow?

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How Families Handle Reduced Income

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

Living on a Seasonal Income

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

Summary

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

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Net Worth Statement

Date: _____

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

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

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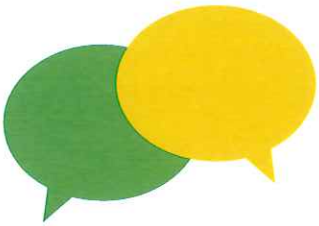
Questions to Ask Yourself

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



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

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

How Much Do I Owe?

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

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

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

Smart Changes to Save Dollars

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

❒ Plan ahead and shop around.

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

❒ Don't buy.

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

❒ Use wisely.

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

Smart Changes to Save Dollars, continued

❒ Share, rent or borrow.

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

❒ Substitute

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

❒ Sell, trade or do it yourself.

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

❒ Find it free.

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

❒ Keep track of the little things that add up.

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

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

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Helping Your Children Learn Money Management

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

Preschool Children

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

Encourage play-based learning.

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

Help your child understand the connection between jobs and money.

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

Allow children to become involved in the buying process.

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

Let them learn from mistakes.

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

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

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

School-Aged Children

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

Reinforce math skills.

- Have them make change in a store.

Enlist their help with the family shopping.

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

Let older children help in the bill paying process.

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

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

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

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

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

Use allowance as a teaching technique.

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

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Starting Over

After Foreclosure Toolkit

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STARTING OVER AFTER FORECLOSURE TOOLKIT

Rebuilding Your Financial Situation and Credit History

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Rebuilding Your Financial Situation and Credit History

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Welcome to the Starting Over After Foreclosure Toolkit

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

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

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

This unit, Rebuilding Your Financial Situation and Credit History, focuses on developing the skills to reassess your financial situation and improve your credit history. Even though foreclosure can negatively influence your financial situation, you can rebuild your financial health over time to regain self-sufficiency.

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Be Honest About Your Financial Situation

Honestly assessing your financial situation is an important step in rebuilding your credit. By understanding the result of your housing situation, accurately confirming where you are now financially, making a plan to pay down remaining debt, understanding your credit report and scores, and taking action to improve your credit history, you can help rebuild your financial situation and lay the groundwork for a successful future.

Understand the Result of Your Housing Situation

Though you may be relieved to have finally resolved your housing situation, try not to put it out of your mind just yet. Often, different housing outcomes affect your credit differently. By understanding the final terms of the arrangement you made with your lender, you will be in a better position to rebuild your credit history for the long term.

No Two Processes Are Alike

Three options that families may have experienced include short sales, deed-in-lieu or foreclosure. Although housing options may vary, no foreclosure or short sale resolution is exactly the same. The terms and conditions of each event affect your personal credit report and score in different ways, including how the option is reported to the credit bureaus and the length of time it will affect your credit.

- Short sales will have a negative impact on the borrower's credit score. The degree of the influence will vary depending on how the lender reports your unique situation to the credit bureaus.
- The effects of a deed in lieu can vary based on if the lender is willing to forgive the debt balance. As a result, always read the contract carefully to see how the debt balance issue was handled. If the document is unclear, take it to an attorney with experience in property law. An attorney's time may seem expensive initially, but could be a bargain in comparison to the financial costs of the agreement, if not understood properly.

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Tax Implications

Both short sales and a deed-in-lieu of foreclosure are viewed as a forgiven debt on the borrower's income tax returns if the lender issues a 1099-C for the amount of the deficiency (or unresolved debt). The Form 1099-C (*http://www.irs.gov/uac/Form-1099-C,-Cancellation-of-Debt*) (Internal Revenue Service, 2013-b) denotes debts that have been forgiven by creditors, or a "cancelation of debt." According to the Internal Revenue Service (IRS), lenders must file this form for each debtor for whom they canceled $600 or more of a debt owed to them. A 1099-C is sent when a consumer settles a debt with a creditor (Federal Trade Commission, 2012, November) or the creditor has chosen to not try to collect a debt (*http://www.consumer.ftc.gov/articles/0150-coping-debt*). When a creditor is no longer attempting to collect any of the unpaid principal balance on a debt, they must report this amount to the IRS.

Because foreclosures are treated like a sale for tax purposes, a **reportable income or gain** (such as a capital gain) from the sale or transfer of a home may be assessed after a foreclosure. Any change in home ownership, including mortgage foreclosure, repossession of a home or cancellation of debt, has an influence when you file your MI-1040 tax form. The Michigan Department of Treasury (n.d.) "Mortgage Foreclosure or Home Repossession and Your Michigan Income Tax Return" (*http://www.michigan.gov/taxes/0,4676,7-238-43513_44135-228580--,00.html*) provides information on the tax implications for consumers

If, at the time your debt was cancelled, you may be unable to pay your debts, and thus may be considered **insolvent**. This gives you the opportunity to check if you have to report all or part of the **charge-off** (or forgiven debt by the creditor) to the IRS. In this case, you would need to file IRS Form 982, the "Reduction of Tax Attributes Due to Discharge of Indebtedness" (Internal Revenue Service, 2013-a) (*http://www.irs.gov/uac/Form-982,-Reduction-of-Tax-Attributes-Due-to-Discharge-of-Indebtedness-%28and-Section-1082-Basis-Adjustment%29*) if you want to claim the insolvency option.

Canceled or settled debts are not the same as debts that have been "paid in full." If you've settled your debts (thus, did not pay your debts in full), they will appear on your credit report and be considered **derogatory**. This means these debts can negatively affect your credit and can remain on your credit report for up to seven years.

Accurately Confirm Where You Are Now with Your Current Financial Situation

Understanding your current financial situation is extremely important when attempting to repair your personal credit. You'll need to know the answers to such questions as: How much monthly income do you have? When do you receive that income? What are your current priorities for spending and saving? To assist with answering these questions, visit the unit **Assessing Your Financial Situation**, to help guide your process. By doing so, you can develop a spending and savings plan, calculate your debt to income ratio, decide which bills to pay first and understand what happens if you don't pay your bills.

Make a Plan to Pay Down Remaining Debt

Creating a plan for how you will repay debt obligations can help you stay on track with your credit rebuilding process. Be honest in this process. Openly discuss spending decisions with all family members. This will help everyone understand the changes and sacrifices needed for the household's plan to succeed. Open your mail as soon as you receive it, regardless of your situation. Prompt action is important. Let your creditors know you are having trouble before you miss payments and the situation becomes worse. If you simply do not have enough money to pay your bills, visit the unit **Assessing Your Financial Situation** for tips on deciding which bills to pay first.

Tracking your expenses is one action you can take to assist you in creating a debt payment plan. The Federal Deposit Insurance Corporation (FDIC) (2001) *Money Smart – A Financial Education Program* (*https://www.fdic.gov/consumers/consumer/moneysmart/index.html*) suggests a number of ways you can track your spending. Select the option below that you think will help you experience the most success.

- **Use your monthly checking account statement and check register** to track your spending.
- **Use a money management software package** to track your income and expenses.
- **Ask for and save receipts** if you use cash regularly. Add the receipts on a daily or weekly basis so you don't get overwhelmed with this task at the end of the month.
- **Consider writing down your cash expenses on a regular basis** if you don't always collect receipts. You can use a little notebook or an app or note function on your phone.

No matter what method you choose to track your spending, if you do it consistently, it will give you important information to help you control your money – and not let your money control you.

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Choose a debt pay-down strategy that meets your financial goals. Several options are available for you to choose from. Even a small payment, as little as $5, makes a difference if applied over time.

A few methods of paying down debt follow. Choose the option that makes the most sense for you and your situation.

- **Use the "Debt Snowball" Method.** Determine which debt to pay off first by listing them in order of total balance. Start with the smallest debt first to reduce it as quickly as possible. If you have money left over, apply the extra funds to the next debt. Once those smaller balances are gone, take the money that had been set aside to pay those bills and apply it to the balance with the highest interest rate.
- **Use the Highest Interest Rate.** Prioritize your list of debts by interest rates on loans or credit cards. Start paying on the debt that has the highest interest rate (since it's costing you the most money) and continue paying until it's paid off. Then, add any extra funds to the second highest interest rate loan or credit card.
- **Use Power Payments.** Power payments can be made in a variety of sequences including starting with debts with the highest interest rate first, smallest balance first or shortest term first. While paying off debt with the smallest balance can provide a psychological boost, starting with the highest interest rate first often provides the greatest reduction in interest and repayment time. The Utah State University Extension (n.d.) PowerPay website (*powerpay.org*) provides a free personalized analysis. Users enter the names of creditors, the interest rate (APR) on debts, the monthly payment and the outstanding balance. PowerPay will provide a customized debt analysis (that is, the time and interest savings) for each repayment scenario and a debt repayment calendar. For further information, visit *powerpay.org*.

What Happens If You Don't Pay Your Bills?

Once you miss a payment, you'll receive increasing pressure to pay from the creditor. You may receive a letter reminding you that you missed a payment and asking you to pay promptly. After that, you may receive a more direct letter demanding payment, or you may get a phone call. If the bills are still not paid, they will likely be turned over to an independent collection agency. Your delinquency may be reported to the credit bureaus, possibly within three to six months after you default. The types of debts most likely to be sent to a collection agency include: credit card and telephone service debts, followed by other utilities, car, government and medical debts.

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The Federal Trade Commission (FTC) enforces the Fair Debt Collection Practices Act (FDCPA) (*http://www.ftc.gov/enforcement/rules/rulemaking-regulatory-reform-proceedings/fair-debt-collection-practices-act-text*), which prohibits debt collectors from using abusive, unfair or deceptive practices to collect from you. This includes using abusive or threatening language, calling you at unusual hours or threatening criminal prosecution. Additionally, debt collectors are not allowed to discuss your financial situation with others (Federal Trade Commission, 1996). For more details about debt collection guidelines, visit the Federal Trade Commission (2013, November) Consumer Information website regarding debt collection (*http://www.consumer.ftc.gov/articles/0149-debt-collection*). You can also review appropriate debt collection practices in the **Knowing your Rights and Responsibilities** unit of this toolkit.

TRY IT!

- **Review the "Danger Signs of Too Much Debt" checklist on page 18.**
- **If necessary, review the unit Assessing Your Financial Situation:**
  - **Go over the "Simple Rules for Developing a Spending Plan" in that unit on page 6.**
  - **Figure out the amount you owe using the "How Much Do I Owe?" worksheet in that unit on page 21.**

In the University of Illinois Extension *Getting Through Tough Financial Times* website, Bartman, Camp and Chan (2009) recommend that if you receive a call from a creditor or a collection agency:

- **Ask the name of the caller.** Get the name of the creditor and the name, address and telephone number of the collection agency. Get the exact amount of the account that is claimed to be due. Write down the date and time of each call.
- **Remain calm.** Explain your current financial situation and tell how much of the bill you are able to pay, according to your repayment plan.
- **Dispute debts in writing.** If you believe you do not owe the amount claimed or disagree in other ways, make your reasons known promptly in writing to both the creditor and the collection agency. Use the "Sample Letter for Disputing Errors on Your Credit Report" handout on page 23. Always keep copies of your correspondence for future reference.

How Do You Talk to Creditors?

If you do not have enough money to pay your bills, you may need to contact those to whom you owe money and explain your situation. Creditors and lenders are usually willing to work with you **if you contact them** before you get behind in your payments. Usually if you have paid your bills on time, creditors and lenders may be more cooperative than if you were late or didn't make regular payments. If this happens, contact your creditors immediately.

Know Your Information

You must have an accurate picture of exactly how much income you can count on each month and how much you need to pay for essential monthly living expenses. Then you can talk honestly with your creditors about your debts. You can use the "Creditor Communication Tracking" worksheet on page 19 to keep track of all the details.

Be prepared to explain the following:

- The reason you cannot pay
- Your current income and prospects for future income
- Other financial obligations you have
- Your plans to bring your current debt up to date and keep it current, including the amount you will be able to pay each month

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Make a Connection

Visit local creditors in person, if at all possible. Make an appointment to see the loan officer at your bank or credit union, the credit manager of local stores and the budget counselor at your utility companies. Also remember creditors such as your dentist, physician, clinic and hospital.

It's most cost effective and efficient to contact out-of-town creditors by phone or letter. Use the "Sample Letter to Creditors" handout on page 20 as a guide when writing or talking to creditors. Use the "Creditor Communication Tracking" worksheet on page 19 to write down the name and title of the person to whom you talked. Then put the details that were agreed to in a letter. Be sure to keep copies of all correspondence.

Not all creditors will be willing to accept alternatives. However, they'll be more likely to work with your family if you contact them before they contact you. They all want to be repaid and would rather get some money on a regular basis than have to begin collection procedures, which can be costly for them.

Always tell your creditors about any changes that may affect your payment agreement. If you fail to follow the plan that you and your creditor agreed upon, they will be less willing to work with you and it will hurt your chances of getting future credit.

The University of Illinois Extension (Bartman, Camp, & Chan, 2009) states that creditors can take several kinds of legal action against you. These actions are often written into the sales contract you signed. If you fail to make payments, the creditor or collection agency may decide to initiate a lawsuit by filing a complaint. As the defendant, you will receive a summons or notification that a complaint has been filed against you. The case may be settled in small claims court or civil court, depending on the amount of money involved. If you don't respond or lose the case, the court will issue a judgment against you for the amount you owe plus fees for court costs and attorney fees.

Attend the court hearing in person and explain what your situation is to the court and how much you can realistically afford to pay. Whether you show up or not, a judgment will be issued against you. However, if you fail to show, the court may order you to pay monthly payments that are not in line with your income or more that you can realistically afford. In addition, showing up at the hearing shows the creditor you are serious about making things right.

Negotiating

The University of Illinois Extension in their *Getting Through Tough Financial Times* resources (Bartman, Camp, & Chan, 2009) provides options to consider when negotiating with your creditors:

- Reduce or refinance the loan.
- Defer a payment for a period of time if you expect your income to increase in the near future.
- Reduce or drop late charges.
- Pay only interest on the loan until you can resume making monthly payments.
- Return an item purchased on credit.
- Sell the item and use the cash to satisfy, or partially satisfy, the debt (you are still responsible for any remaining balance you may still owe).

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

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Can the Bank Come After Me & Make Me Pay My Loan?

If you need legal advice or are concerned about your rights and responsibilities, contact an attorney. You can find one by contacting the State Bar Association of Michigan's (2014) Public Resources (*http://michbar.org/public_resources/*), Michigan Legal Aid (n.d.) (*http://www.michiganlegalaid.org/*) or Michigan Legal Help (2014) (*http://michiganlegalhelp.org/*).

TRY IT!

Contact your creditors, if needed, to negotiate payment options to pay down debt. Use the "Creditor Communication Tracking" worksheet on page 19 and "Sample Letter to Creditors" handout on page 20 to assist your efforts.

Understand Your Credit Report & Score

Once you have determined where you are financially, you can begin to review your credit history and make a plan for repairing your credit.

- Learn what credit scores are and understand how to interpret them.
- Order your free credit report.
- Review your credit report and correct any errors.

What Is A Credit Score & What Does It Mean?

Credit scores are one of the components creditors use when evaluating a person's credit worthiness. The most commonly used credit scores are provided by Fair Isaac Corporation (2014) (*www.fico.com*) and are known as FICO scores. They range from 300 (the worst) to 850 (the best). When referring to credit scores, the information provided here focuses on the FICO score.

Every financial decision can positively or negatively affect your credit score. For example, if you file Chapter 13 bankruptcy, you may find that you cannot make the extra payments to the court, meaning you now could have both a foreclosure and a bankruptcy. Late payments and nonpayment to any creditor will be recorded on your credit report, which can lower your credit score. This can affect your ability to get credit, increase the interest rate you will pay and possibly affect your ability to get a job as well as influence the amount you may pay for home and auto insurance. Ensuring you and your family rebuild a positive credit history is essential in repairing your financial situation for the future.

Order Your Free Credit Report

Why Do I Want a Copy of My Credit Report?

A credit report will give you a current snapshot of your financial information: mortgage debt, installment debt (car loans and other debts), and revolving accounts, such as credit cards. It will not list any personal loans you have with friends or relatives – only debt related to accounts with financial institutions that provide information to the credit reporting companies. It also includes information on where you live, how you pay your bills, and whether you've been sued or arrested, or have filed for bankruptcy. Nationwide credit reporting companies sell the information in your report to creditors, insurers, employers and other businesses

that use it to evaluate your applications for credit, insurance, employment or for renting a home or apartment.

You want a copy of your credit report so you can:

- Make sure the information is accurate, complete and up to date before you apply for a loan for a major purchase like a car or house, buy insurance or apply for a job.
- Help guard against identity theft (Federal Trade Commission, n.d.-b) (*http://www.consumer.ftc.gov/media/video-0023-what-identity-theft*). Identity theft occurs when someone uses your personal information – such as your name, your Social Security number or your credit card number – to commit fraud. Identity thieves may use your information to open a new account in your name. Then, when they don't pay the bills, the delinquent account is reported on your credit report. This inaccurate information could affect your ability to get credit, insurance or even a job.

Where Do I Get My Free Credit Report?

The Fair Credit Reporting Act (FCRA) (Federal Trade Commission, 2012, September) (*http://www.consumer.ftc.gov/sites/default/files/articles/pdf/pdf-0111-fair-credit-reporting-act.pdf*) requires each of the nationwide credit reporting companies – Equifax, Experian and TransUnion – to provide you with a free copy of your credit report, at your request, once every 12 months. The Federal Trade Commission (n.d.-a) enforces the FCRA with respect to credit reporting companies (*http://www.consumer.ftc.gov/topics/money-credit*).

To request your free credit reports, visit *www.annualcreditreport.com* (Central Source LLC, n.d.).

A Warning About Scams Related to Free Credit Reports and Credit Services

According to the Federal Trade Commission (2013, March) (*http://www.consumer.ftc.gov/articles/0155-free-credit-reports*), there is only one legally mandated website authorized by federal law to provide consumers with a free annual credit report – *www.annualcreditreport.com*. Other websites offering free credit reports, free credit scores or free credit monitoring are not affiliated with this mandate. Sometimes, "free" product offers are accompanied with fees that you must pay for after an introductory period. If you don't cancel before the introductory period ends, you may be assessed fees for this service.

In addition, AnnualCreditReport.com (Central Source LLC, n.d.) and the nationwide credit reporting companies will not send you an email requesting your personal information. If you are contacted by someone claiming to be from AnnualCreditReport.com or any of the three nationwide credit reporting companies, contact the Federal Trade Commission at spam@uce.gov.

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Should I Order My Reports From All Three of the Nationwide Credit Reporting Companies at the Same Time?

It's your choice. Because nationwide credit reporting companies get their information from different sources, the information in your report from one company may be different from the information you receive in the other reports from the other two companies. Personal financial management experts recommend that you order one of your free reports every four months. For example, request your report from Equifax in January, then from Experian in May and then TransUnion in September. Remember that the law allows you to order one free copy of your report from each of the nationwide credit reporting companies every 12 months.

What Information Do I Need to Provide to Get My Free Report?

To access your free report, the Federal Trade Commission (2013, March) suggests that you be prepared to provide your name, address, Social Security number date of birth, and additional information that only you would know. This could include items such as the amount of your monthly mortgage or rent payment, or your monthly cell phone payment amount.

Are There Any Other Situations Where I Might Be Eligible for a Free Report?

According to the same Federal Trade Commission resource (2013, March), you are entitled to a free report if you are denied credit, insurance or employment based on the information in your report. You can request the additional free report within 60 days of receiving notice of the denied request. You can also receive an additional free report a year if you are unemployed and plan to look for a job within 60 days; using public assistance; or if your report is inaccurate because of fraud, including identity theft. Otherwise, each credit reporting company is allowed to charge you a reasonable amount for another copy of your report within a 12-month period.

To buy a copy of your report, contact:

- Equifax: 1-800-685-1111 or *equifax.com*
- Experian: 1-888-397-3742 or *experian.com*
- TransUnion: 1-800-916-8800 or *transunion.com*

Review Your Credit Report & Correct Any Errors

What If I Find Errors – Either Inaccuracies or Incomplete Information – in My Credit Report?

Under the Fair Credit Reporting Act (FCRA) (Federal Trade Commission, 2012, September) (*http://www.consumer.ftc.gov/sites/default/files/articles/pdf/pdf-0111-fair-credit-reporting-act.pdf*), both the credit reporting company and the information provider (that is, the person, company or organization that provides information about you to a consumer credit reporting company) are responsible for correcting inaccurate or incomplete information in your report (Federal Trade Commission, 2014, March) (*http://www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports*). To take full advantage of your rights under this law, contact

the credit reporting company and the information provider. You do not need to hire someone to fix your credit report. Tell the creditor or other information provider, in writing, that you dispute an item. Include copies (not originals) of documents that support your position. Each of the three major credit reporting bureaus specify an address or specific process for disputes. You can create a letter using the "Sample Letter for Disputing Errors on Your Credit Report" handout on page 23. Send your letter by certified mail "return receipt requested" so you can document what the credit reporting company received. Keep copies of everything you send.

Credit reporting companies must investigate the items in question – usually within 30 days – unless they consider your dispute without legal merit or of little importance. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the credit reporting company, it must investigate, review the relevant information and report the results back to the credit reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide credit reporting companies so they can correct the information in your file.

When the investigation is complete, the credit reporting company must give you a short written response and describe the results, which include how your report has changed. If an item is changed or deleted, the credit reporting company cannot put the disputed information back in your file unless the information provider verifies that it is accurate and complete. The response provided by the credit reporting company must also include notice that says you can request a description of the procedure used to determine the accuracy and completeness of the information, including the business name, address and phone number of the information provider (Federal Trade Commission, 2012, September) (*http://www.consumer.ftc.gov/sites/default/files/articles/pdf/pdf-0111-fair-credit-reporting-act.pdf*). If an item is changed or deleted, the credit reporting company cannot put the disputed information back in your file unless the information provider verifies that it is accurate and complete. The credit reporting company also must send you written notice that includes the name, address and phone number of the information provider.

What Can I Do If the Credit Reporting Company or Information Provider Won't Correct the Information I Dispute?

If an investigation doesn't resolve your dispute with the credit reporting company, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the credit reporting company to provide your statement to anyone who received a copy of your report in the recent past. You can expect to pay a fee for this service.

If you tell the information provider that you dispute an item, a notice of your dispute must be included any time the information provider reports the item to a credit reporting company.

You may also contact the Consumer Financial Protection Bureau (CFPB) (*http://www.consumerfinance.gov/*). The CFPB was established by Congress to protect consumers by carrying out federal consumer financial laws.

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How Long Can a Credit Reporting Company Report Negative Information?

A credit reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. However, there is no time limit on information reported about criminal convictions, information reported in response to your application for a job that pays more than $75,000 a year, and information reported because you've applied for more than $150,000 worth of credit or life insurance. Information about a lawsuit or an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer.

Who Can Get a Copy of My Credit Report?

The Fair Credit Reporting Act specifies who can access your credit report. As previously stated, creditors, insurers, employers and other businesses that use the information in your report to evaluate your applications for credit, insurance, employment or renting a home are among those that have a legal right to access your report. The Federal Trade Commission (2013, February) says that an employer must get your permission before asking for a report about you from a credit reporting company or any other company that provides background information (*http://www.consumer.ftc.gov/articles/0157-employment-background-checks*).

TRY IT!

Review your credit report to ensure your credit situation is financially sound. Visit *https://www.annualcreditreport.com/index.action* for more information on accessing your free credit report.

Take Actions to Improve Your Credit Report & Score

To continue to improve your credit report and score, follow these actions on a daily basis: keeping credit cards manageable and under control, knowing when to apply for and take on new credit, automating your bill payments, staying on track by keeping your goals in mind and being patient, and reaching out for help, when necessary.

Keeping Credit Cards Manageable and Under Control

If you pay off or lower your existing credit card balances, you may be able to add points to your FICO credit score. The industry standard suggests that using only 30 percent of your available credit amount will help build your credit and increase your credit score faster. In addition, the less you owe, the more likely it is that you will be able to pay all of your bills each month.

Knowing When to Apply for and Take on New Credit

Do not attempt to raise your credit score by closing open credit lines. This might actually hurt your score more after a short sale or foreclosure when access to new credit will be limited. When you close credit lines, potential lenders might think you have over-extended your credit and may not be able to afford additional loans in the future. However, if you are left with no credit lines after a foreclosure or short sale and cannot qualify for unsecured lines of credit, you can apply for a secured credit card or a personal loan. Secured cards and loans require you to deposit funds with a financial institution in exchange for credit. For example, if you deposit $500, that will be the amount of your secured credit line. Using secured cards and loans responsibly will help to increase your credit score. Over time, the lender may raise your line of credit for "good behavior," which means paying your bills on time, every time. Eventually, you'll be a candidate for unsecured credit again. Be sure to read the fine print in the agreement for all secured cards and loans, and confirm that you will not be charged additional fees.

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Automating Your Bill Payments

Set up automatic bill pay on all of your existing credit accounts to make certain that creditors are always paid on or before the due date. Do not solely count on grace periods when you are trying to rebuild your credit. An alternative to automatic bill pay is to use the bill reminder features on your phone or computer. If you have missed payments in the past, commit to starting good habits now. You can rebuild a healthy credit score by paying every bill on time, every time. On the contrary, skipped or late payments will reduce your credit score further.

Keeping Your Goals in Mind and Being Patient

Rebuilding credit after a short sale or foreclosure can be frustrating and requires patience. However, over time, negative information in your credit report will eventually reduce its influence on your credit score. Items such as foreclosure come off after seven years, while Chapter 7 bankruptcy remains for ten. According to the Fair Isaac Corporation (FICO) (n.d.-a), the older the item, the less influence that particular negative item will have on your FICO credit score. For a more complete list of how negative credit items can influence your personal credit score, visit *http://www.myfico.com/crediteducation/questions/negative-items-on-credit-report-chapter-7-13.aspx*.

TRY IT!

Review the "How Much Credit Can I Afford?" worksheet on page 21 and the "How to Maintain a Good Credit Score" checklist on page 22 to create a plan for building and managing your credit appropriately.

Staying On Track

Freddie Mac (n.d) suggests the following eight tips to help you stay on track with rebuilding your credit.

- Remember to pay your bills on time including paying the agreed upon amount.
- Try to keep balances low on credit cards and other revolving debts.
- Pay off debt instead of transferring your debt from credit card to credit card. Be cautious when using a consolidation loan.
- Try not to apply for credit that you don't need.
- Shop around for the best loan rates. According to Fair Isaac Corporation (n.d.-b), try to do this within a 30-day period so it won't have an immediate effect on your credit report.
- Request a free copy of your credit report annually. Remember – you are allowed one free credit report from each of the three credit bureaus per year.
- Check for errors on your credit report, and work with the credit reporting agency to fix them. If an error is identified, use the "Sample Letter for Disputing Errors on Your Credit Report" handout on page 23 as a guide.
- Beware of fraudulent credit repair companies. Improving your credit takes time, so be suspicious of any person or agency that says they can "fix" your credit quickly – especially for a fee. These types of services can be a scam and should be reported immediately to the "Prevent Loan Scams" website, a project of the Lawyers Committee for Civil Rights Under Law (2010) found at *http://lcintake.serveronline.net/intake-basic-qualify.aspx?source=Freddie*.

Adapted from *Rebuilding Your Credit* by Freddie Mac, n.d. Retrieved from *http://www.freddiemac.com/homeownership/after_foreclosure/*rebuilding_your_credit.html

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Reaching Out for Help, if Necessary

Knowledge is power. Invest in yourself by learning all you can about credit, debt and ways to reach your financial goals. Plenty of free, quality information and education is available. The suggestions below will help you get started:

- Visit MI Money Health (*www.mimoneyhealth.org*) and click on the "Educational Programs" to find out about learning opportunities offered through Michigan State University Extension (2014).
- Explore the eXtension (2014) Personal Finance resources (*http://www.extension.org/personal_finance*). An interactive learning environment, eXtension offers expertise and answers based on research from America's land-grant universities.
- Visit your local library. Many libraries offer free financial education workshops and have many books and multi-media learning materials that provide tips and skills about how to successfully manage your money. Visit the National Center for Education Statistics (2005) website (*http://nces.ed.gov/surveys/libraries/librarysearch/*) to find a library near you.
- Check out the National Foundation for Credit Counseling (2014). It offers free financial education online at *www.nfcc.org/FinancialEducation*. You can also call 1-800-388-2227 to find educational programs in your area.
- Call the U.S. Department of Housing and Urban Development (HUD) (n.d.) at 1-800-569-4287 or visit their website (*http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm*) for a list of approved housing counselors in your area. There are housing counselors who can help you regain control of your finances. These counselors often work for nonprofit organizations. They are trained to help you determine your goals, rebuild your credit and get back on track if you've lost your home to foreclosure. There is no charge to work with HUD-approved counseling agencies.
- Be cautious when dealing with companies who offer credit repair. No one can legally remove accurate negative information from your credit report. You could hire a company to investigate for you, but anything a credit repair company can do legally, you can do for yourself at little or no cost. To file a complaint if you suspect you are a victim of fraud, visit the Federal Trade Commission (n.d.-c) FTC Complaint Assistant at *ftc.gov/complaint* or call 1-877-FTC-HELP (1-877-382-4357).
- Take advantage of the information provided by the Consumer Financial Protection Bureau (n.d.) (*http://www.consumerfinance.gov*). Their mission is to make markets for consumer financial products and services work for Americans – whether you are applying for a mortgage, choosing among credit cards or using any number of other consumer financial products.

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CHECKLIST

Danger Signs of Too Much Debt

The following questions can help you tell if you have a debt problem, so you can do something about it before it gets worse. Look over this list and check off any statements that are true for you.

- ❒ I can't seem to stop myself from buying things I don't need or can't afford.
- ❒ I buy things from television or catalogs on monthly payments.
- ❒ I tend to get behind in my utility or rent payments.
- ❒ I keep things that I buy on credit secret from my partner or lie about how I paid for them.
- ❒ I have gotten a phone call about an overdue credit payment.
- ❒ I have taken a cash advance to pay for my bills or living expenses.
- ❒ I charge more than I pay on my credit cards each month.
- ❒ I have made a credit payment with a post-dated check.
- ❒ I don't know how much I need for my monthly living expenses.
- ❒ I don't know how much I owe in total.
- ❒ I owe money to more than seven creditors.
- ❒ I owe more money to my creditors than I own (house, car).
- ❒ If I get a raise, I already know I'll have to use it to pay my debts.
- ❒ I depend on extra income, such as overtime, to make ends meet.
- ❒ I owe back installment payments that will take more than a year to pay.
- ❒ More than 15 percent of my take-home pay goes to credit payments (other than home mortgage).
- ❒ I'd like to consolidate my loans or extend my current loans.
- ❒ To make ends meet, I have taken out a loan, withdrawn money from savings, skipped payments or paid only the minimum due.

If you checked off four or more of these statements, you may have a problem with using credit.

If you checked off seven or more, you're in danger of getting into big trouble with credit. You need to start making some changes now to avoid more serious problems in the future.

Adapted with permission from Anderson-Porisch, Heins, Petersen, Hooper, and Bauer's *Dollar Works 2: A Personal Financial Education Program* (2009, St. Paul, MN: University of Minnesota Extension, Action Page 9-1: Warning Signs of Too Much Debt, p. 207).

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WORKSHEET

Creditor Communication Tracking

Directions: Communicating with creditors can be an intimidating process. Keeping track of your communication is useful when documenting and discussing important financial discussions with lenders and creditors. Using the tracking form below, document each conversation that you have with creditors and lenders.

Prior to initiating communication, complete the chart below as a guide for your conversation:

Date of the conversation:	
Name of company:	
My account number:	
My amount owed:	
What I need to know:	
Questions I need to ask:	1. 2. 3.
Other important information:	

During the communication, complete the following information:

Name of the contact:	
Phone number, including extension:	
Responses to the questions you asked:	1. 2. 3.
My next steps:	
Their next steps:	
Are we meeting again? If so, when do I need to contact them?	

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Sample Letter to Creditors

Use this example as a guide when writing or talking to creditors. Fill in the blanks with your family's specific situation.

Your Name
Your Address
City, State Zip

Date

Company Name
Company Address
City, State Zip

Attention: (Name and/or title of the individual that this needs to be sent to)

Subject: (Your name and account number)

The purpose of this letter is to inform you that I am currently having some difficulty paying my bills. I am not able to make my minimum monthly payment to you as a result of _____(a family crisis, a recent job loss or seasonal unemployment, or other issue)

I have taken a careful look at our financial situation and have set up a realistic minimum budget for my living expenses and debt repayment plan. I am hoping you will accept a reduced payment of _____(amount you will pay). I will increase this amount as soon as possible until the debt of $_____(amount owed) is totally repaid.

You may expect the first payment on _____(date).

I hope you find this plan acceptable. I look forward to your letter of acknowledgment. Thank you.

Sincerely,
Your signature

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

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WORKSHEET

How Much Credit Can I Afford?

Directions: Using the worksheet below, determine how much you can safely spend on credit, given your monthly financial obligations and net monthly income (take home pay).

If you buy on credit, how much credit can you afford to use?

Method I

Usually, credit payments (excluding mortgage payments) should be no more than 12 to 15 percent of your take-home pay.

My take-home pay $_____ x 0.15 (15 percent) = $_____

Method II

To determine what you can safely spend on credit each month, complete the following information:

(A) How much money do you need for basic expenses: housing, food, clothing, transportation and similar expenses?

(B) Subtract what you spend for these basic needs from your take-home pay. What remains is your available income.

(C) You should use no more than one-third of your available income that remains for credit purposes.

My monthly take-home pay/income $_____ (A)

My monthly expenses for:

Mortgage or rent $_____

Utilities $_____

Food $_____

Clothing $_____

Transportation $_____

Medical Expenses $_____

My monthly basic needs total $_____ (B)

Monthly Remaining Available Income after other expenses (A–B=C)
$_____ (C)

Divide remaining available income (C) by 3 = $_____
(the amount you can safely spend on credit payments each month)

Note: Method II may give a lower remaining available income than Method 1. For most consumers, the second method is the safest way to guard against overspending on credit.

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CHECKLIST

How to Maintain a Good Credit Score

Credit scoring systems usually look at your credit history in the areas listed below. How well are you doing? Place a check mark in front of the statements where you may need to make changes to boost your credit score.

Payment History

- ❒ Pay bills on time.
- ❒ Make credit payments 5 to 10 days before they are due to avoid paying late fees.
- ❒ Avoid companies that say for a fee, they will "fix" your credit. A person can do the same thing by contacting creditors.
- ❒ Stay current on student loan payments.

Amount of Outstanding Debt

- ❒ Keep credit card balances low. A low balance on two credit cards may be better than a high balance on one.
- ❒ Avoid taking on new debt.
- ❒ Pay more than the minimum on credit balances to avoid extra finance charges.
- ❒ Make a payment on a credit card balance as soon as possible after the bill arrives.

Length of Credit History

- ❒ Have a long credit history with at least one financial institution.
- ❒ Review your credit report every year to check information for accuracy.
- ❒ Review your credit report if your name has changed.
- ❒ If you are married, have some credit accounts in your name as well as some in the name of your spouse to establish a credit history for both people.

Applications for New Credit

- ❒ Whenever possible, pay with cash instead of using credit.
- ❒ Apply for credit only on an as-needed basis.

Number and Type of Credit Accounts

- ❒ Shop for credit that has a low annual percentage rate (APR) and no annual fee.
- ❒ Have and use only one or two credit cards.

Other Considerations

- ❒ Live at the same address for five or more years.
- ❒ Buy a home and pay the mortgage and utilities on time.
- ❒ Stay at the same job for three years or more.
- ❒ Give a street address rather than a post office box or general delivery address.

Adapted with permission from Anderson-Porisch, Heins, Petersen, Hooper, and Bauer's *Dollar Works 2: A Personal Financial Education Program* (2009, St. Paul, MN: University of Minnesota Extension, Action Page 9-1: Warning Signs of Too Much Debt, p. 207).

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Sample Letter for Disputing Errors on Your Credit Report

If you find an error in your credit report, use this sample letter provided by the Federal Trade Commission to contact the credit reporting company and the information provider in writing. Replace the bolded words in brackets with your specific information. Send your letter by certified mail "return receipt requested" so you can document what the credit reporting company received. Include copies (not originals) of documents that support your position. Remember to keep copies of everything you send disputing the errors for documentation and proof.

[Your Name]
[Your Address]
[Your City, State, Zip Code]

[Date]

Complaint Department
[Company Name]
[Street Address]
[City, State, Zip Code]

Dear Sir or Madam:

I am writing to dispute the following information in my file. I have circled the items I dispute on the attached copy of the report I received.

This item **[identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.]** is **[inaccurate or incomplete]** because **[describe what is inaccurate or incomplete and why]**. I am requesting that the item be removed **[or request another specific change]** to correct the information.

Enclosed are copies of **[use this sentence if applicable and describe any enclosed documentation, such as payment records and court documents]** supporting my position. Please reinvestigate this **[these]** matter**[s]** and **[delete or correct]** the disputed item**[s]** as soon as possible.

Sincerely,
Your signature

Enclosures: **[List what you are enclosing.]**

From Consumer Information: *Sample Letter for Disputing Errors on Your Credit Report* by the Federal Trade Commission, August 2013. Retrieved from http://www.consumer.ftc.gov/articles/0384-sample-letter-disputing-errors-your-credit-report

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Starting Over

After Foreclosure Toolkit

Evaluation

Please consider taking a short, anonymous survey about how you are using this toolkit.

Your response will help us improve future versions. Visit:

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STARTING OVER AFTER FORECLOSURE TOOLKIT

Getting Prepared, Getting Organized

Getting Prepared, Getting Organized

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Welcome to the Starting Over After Foreclosure Toolkit

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

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

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

This unit is called Getting Prepared, Getting Organized. Getting financial records and financial paperwork in order is an essential first step in rebuilding your financial life. Helping to create a system can save time and energy during this transitional period.

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Organizing Family Records

Family record-keeping is key to organizing your important records so that you may successfully manage your finances. Record-keeping can help you find records and important papers when they're needed, manage the tasks of ongoing financial responsibilities and decision making, and provide information you may need for a difficult financial situation.

Before setting up a record-keeping system, your family must choose one place to store all records and important papers, decide who will take responsibility for ongoing record-keeping activities and develop a schedule for recordkeeping activities. Once these steps are completed, your family members are ready to develop a record-keeping system for the family's financial life.

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

TRY IT!

Obtain and review a copy of your free credit report. You can access your free report at *www.annualcreditreport.com* (Central Source LLC, n.d.).

Get prepared and organized in your financial life. Review the "Organizing Your Important Papers" worksheet and the "How Long to Keep Important Documents" handout to aid you with your record-keeping process. Use the "Road Map for Important Papers" worksheet to stay organized throughout this process.

Preparing Paperwork for Emergencies

What would you take with you if you had only minutes to escape your home in case of an emergenc y such as a fire or a flood? The plans you make in advance and the items you take with you may help you determine how quickly you rebound from foreclosure. Being prepared in advance may allow you to have information needed to file claims as well as the contact information needed for accounts and other items.

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WORKSHEET

Organizing Your Important Papers

Every family accumulates important papers and records. However, knowing where they are, organizing them and finding them easily can be a challenge.

The following lists typical important papers for your family and the places that those items should be kept. Use this list as a guide for organizing your family records and important papers. Remember: no one list applies to everyone. Delete or add items that fit your own situation. Check off each item in the list that pertains to your family. Use this worksheet in conjunction with the "How Long to Keep Important Documents" handout to determine the length of time you need to keep important family members and the "Road Map for Important Papers" worksheet to help you and your family stay organized throughout the process.

Important papers/ documents to be kept in your wallet:

- ❒ Personal ID and/or driver's license
- ❒ Emergency contact information
- ❒ Medicare and/or health insurance cards
- ❒ Special medical information (allergies, medication)
- ❒ Blood type card and organ donor card
- ❒ Credit card(s)

Remember: It is not wise to carry your social security card in your wallet. In case of loss or theft, make copies of the important documents in your wallet and keep the copies in a secure place.

Important papers/ documents to be kept in a safe or safety deposit box:

- ❒ A master list of all important papers, contacts and locations (Use the "Road Map for Important Papers" worksheet as a guide to document this information.)
- ❒ Birth certificates
- ❒ Adoption papers
- ❒ Death certificates
- ❒ Marriage certificates
- ❒ Divorce documents
- ❒ Baptismal certificates
- ❒ College transcripts
- ❒ Passports
- ❒ Citizenship papers
- ❒ Military discharge documents
- ❒ List of insurance policies
- ❒ Vehicle titles
- ❒ Copy of all documents/cards in wallet
- ❒ Social Security card(s)
- ❒ Employment records
- ❒ Wills (copy)
- ❒ Trusts
- ❒ Powers of attorney (copy)
- ❒ Household inventory
- ❒ Inventory of: _____
- ❒ Summary of investments and retirement accounts
- ❒ Certificates of deposit
- ❒ Government bonds
- ❒ Abstract for real estate
- ❒ Deeds and mortgages
- ❒ Burial lot deed
- ❒ Other: _____

Important papers/ documents to be kept with an attorney or trusted relative or friend:

- ❒ A master list of all important papers, contacts and locations (Use the "Road Map for Important Papers" worksheet as a guide to document this information.)
- ❒ Estate planning documents: "living will," burial instructions, durable power of attorney for finances, trusts, wills (original or copy), and advanced directives (for health care)

Important papers/ documents to be kept at home – "Current Important Papers"

The contents of this area include file folders, materials and copies of items that you use on a daily basis.

- ❒ ATM cash withdrawal receipts
- ❒ Bills to be paid
- ❒ Budget
- ❒ Current bank statement
- ❒ Deposit slips
- ❒ Receipts and bills paid
- ❒ Recent credit card statements and receipts
- ❒ Record of income and expenses

Important papers/ documents to be kept at home – "Permanent Important Papers"

The contents of this area include records that you need to keep on an on-going basis. They may not be used often but are important for reference purposes. Review these records annually and discard the ones you no longer need.

Overview of Important Records:

- ❒ A master list of all your family's important papers, contacts and locations (Use the "Road Map for Important Papers" worksheet as a guide to document this information.)

Personal information:

- ❒ Address book: extended family, friends, holiday card list
- ❒ Day care information: provider, site, hours, authorized "pick-up" persons
- ❒ Education records: folder for each family member; diploma, certificate, transcripts for each adult; K-12 report cards and other reports for children
- ❒ Emergency contacts: primary family contact, person who has keys to your home

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- ❒ Extended family members: full legal name, social security number, birth date, birth place, current address and telephone number for each person
- ❒ Family members residing in the home: full legal name, social security number, birth date and birth place for each person
- ❒ Pet care information: vet, kennel or dog sitter, food, medications

Employment records: separate folder for each family member:

- ❒ All previous and current employers, addresses, telephone numbers, supervisors
- ❒ Contracts
- ❒ Fringe benefits package description
- ❒ Retirement plan, pension plans
- ❒ Social security records

Health and medical records:

- ❒ Health insurance company(ies) and policy numbers
  - ❍ Individual or group health coverage policies, including dental
  - ❍ Medicare, supplemental policies, medical assistance
  - ❍ Long-term care policies
- ❒ Advance directive for health care (living will), agent or durable power of attorney for health care
- ❒ Health history of current family members: chronic conditions, surgeries, therapies, hospitalizations, long-term illnesses
- ❒ Major illnesses and causes of death of parents, grandparents, great-grandparents

Bank and/or credit union records:

- ❒ Checking accounts: monthly statements, changes, cancelled checks (if used)
- ❒ Loan contracts: contracts and correspondence
- ❒ Savings accounts: monthly statements, transactions

Financial records:

- ❒ Budget
- ❒ Credit and debit card numbers and contact information, statements
- ❒ Money owed to you: record of any person you made loans to, accounting of payments
- ❒ Net worth statement
- ❒ Receipts and paid bills (transfer from current file after 1 to 2 months)
- ❒ Records of earnings and expenditures
- ❒ Safe deposit box: key and list of contents, list of who is authorized to open the box

Investment records:

- ❒ Annuities
- ❒ Cancelled checks and credit card records pertinent to taxes
- ❒ Current year information pertinent to taxes: medical receipts, contributions, non-reimbursed business expenses and volunteer driving
- ❒ Income tax
- ❒ IRAs, 401(k)
- ❒ Other investments
- ❒ Previous years' tax returns: suggest 3 years, older can go to "miscellaneous records"
- ❒ Real estate investments
- ❒ Record of bonds
- ❒ Records of stocks

Auto and vehicle records:

- ❒ Maintenance and repair records
- ❒ RV, ATV, boat information
- ❒ Titles: copies, originals in safe deposit box
- ❒ Warranties

Housing and real estate records:

- ❒ Capital improvements records: additions, remodeling, equipment replaced
- ❒ Floor plan
- ❒ Homeowners or renter insurance policies
- ❒ Household inventory: original
- ❒ Lease and copy of rent payments, other rental correspondence
- ❒ Mortgage: documents, payment record
- ❒ Other real estate owned
- ❒ Property tax records
- ❒ Utilities: record of companies, contact information
- ❒ Wiring diagram

Equipment and appliances:

- ❒ Warranties and related records
- ❒ Use and care manuals

Insurance policies (if not filed under other relevant areas such as housing, health):

- ❒ Life insurance policies
- ❒ Disability policies

Membership/association documentation:

- ❒ Business or professional associations
- ❒ Organizations, clubs and community groups
- ❒ Civic groups: Lions, Rotary, Scouts, 4-H
- ❒ Recreational groups and teams
- ❒ Religious affiliations and groups
- ❒ School groups and athletic teams

Important papers/ documents to be kept at home – "Miscellaneous Records"

- ❒ Records that might have to be reviewed sometime in the future but are not needed regularly

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How Long to Keep Important Documents

Type of item	30 days	1 year or until . . .	7 years	Permanently
Credit card receipts and statements ▸ Keep receipts until verified with statement then shred. ▸ Keep if disputed. ▸ Keep 7 years if tax related.	Shred when verified	Until dispute is settled	Tax related	
Paycheck stubs ▸ Verify stubs match annual W-2, and then discard.		Compare To W-2		
W-2 Forms ▸ Keep until you begin claiming social security. This is proof of your earnings and entitlements.				Until claiming social security
Retirement/savings plan statement ▸ Keep receipts until verified with statement. ▸ Keep quarterly statements until you receive annual summary. ▸ Keep annual summaries until retirement.	Until verified	Quarterly until verified		Until retirement to verify taxes
Investment Records ▸ Keep as long as you own the securities, plus another seven years. You may need them to prove capital gains and losses.				
Bank and Credit Union Records ▸ Keep until verified statements and records are available online. ▸ Keep tax-related transactions until taxes are filed.	Shred when verified	Until tax time		
Bills and Major Purchases ▸ Keep until verified and one year for tax purposes. ▸ Keep major purchase for warranty or as proof of value.	Shred when verified	Until tax time		Major purchase for warranty or proof of value
Tax Records Keep tax returns, as well as supporting documents such as W-2 forms, receipts, and real estate closing statements for seven years. The IRS may audit you within three years if it suspects good-faith errors; six years if it believes you underreported your income by at least 25%; and unlimited time if you did not file a return or filed a fraudulent one.			Tax returns	
Legal Certificates/Documents Keep birth, death, marriage, divorce, military, wills, trusts, insurance and loan documents permanently.	Duplicate and keep in a safe place to prevent identity theft and in case of an emergency or disaster.			

References:

eXtension.org. (2007). *Organize your important papers*. Retrieved from https://www.extension.org/pages/12475/organize-your-important-papers#.VJG1xCvF98F

Witter, J. (1999). *Money 2000*. East Lansing: Michigan State University Extension.

Road Map for Important Papers

Copy 1 of this record is stored at _____

Copy 2 of this record is stored at _____

Safe deposit box (number _____) is at _____

Safe deposit box key is kept at _____

Home office current records are kept at _____

Permanent records are kept at _____

PERSONAL INFORMATION	SELF	PARTNER
Full Legal Name		
Social Security Number		
Birth Date		
Birth Place		
Employment Site		
Human Resources Telephone #		

OTHER MEMBERS IN THE HOUSEHOLD				
Full Legal Name	Soc. Sec. #	Birth Date	Address	Telephone #

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ADVISOR/CONTACT	NAME	ADDRESS	TELEPHONE # & EMAIL ADDRESS
Accountant			
Attorney			
Power of Attorney (financial)			
Health Care Agent			
Executor of Estate			
Guardian(s) Appointed			
Banker			
Financial Planner			
Insurance Agent			
Child Care Provider			
Doctor(s)			
Dentist			
Clergy			
Veterinarian			
Have Keys to My House			
Funeral Director			
Key Family Contact			

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ADVISOR/CONTACT	NAME	ADDRESS	TELEPHONE # & EMAIL ADDRESS
Accountant			
Attorney			
Power of Attorney (financial)			
Health Care Agent			
Executor of Estate			
Guardian(s) Appointed			
Banker			
Financial Planner			
Insurance Agent			
Child Care Provider			
Doctor(s)			
Dentist			
Clergy			
Veterinarian			
Have Keys to My House			
Funeral Director			
Key Family Contact			

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Insurance Policies

TYPE OF POLICY	COMPANY AND ADDRESS	POLICY NUMBER	EFFECTIVE DATE	POLICY AMOUNT	LOCATION OF POLICY
Life					
Health (Medicare, etc.)					
Supplemental					
Long-Term Care					
Other Medical					
Disability					
Vehicles					
Homeowner's					
Renter's					

Bank Accounts, Savings and Credit Union Accounts

TYPE OF ACCOUNT	NAME AND ADDRESS	NAME ON ACCOUNT	ACCOUNT #	LOCATION OF RECORDS
Checking				
Checking				
Savings				
Savings				

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Investments – Stocks, Bonds, and Mutual Funds

TYPE OF INVESTMENT	COMPANY AND CONTACT	ACCOUNT #	DATE PURCHASED	LOCATION OF RECORDS

Employee Savings, Pension, and Retirement Plans

TYPE OF PLAN	COMPANY AND CONTACT	VALUE	LOCATION OF RECORDS

IF CURRENTLY EMPLOYED:
Social Security Records

Location of annual Social Security Statement: _____

IF CURRENTLY RECEIVING A SOCIAL SECURITY PAYMENT:

Monthly payment amount: _____ Location of statements/records: _____

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U.S. Savings Bonds, Certificates of Deposit, Treasury Bills, Bonds, and Notes

SERIAL #	OWNER(S)	PURCHASE PRICE	DATE OF PURCHASE	MATURITY DATE	VALUE AT MATURITY	BENEFICIARY	LOCATION OF RECORDS

Real Estate

TYPE	LOCATION AND ADDRESS	PURCHASE PRICE	MORTGAGE AMOUNT	MORTGAGE HOLDER	LOCATION OF RECORDS

Vehicles (Cars, Trucks, Recreational Vehicles, Campers, Etc.)

MAKE	MODEL AND YEAR	VIN	LICENSE PLATE #	REG. OWNER	LOCATION OF TITLES

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Rentals (Post Office Boxes, Storage Units, Office Space, Other Rented Property/Furnishings, Etc.)

RENTAL PROPERTY	NAME AND ADDRESS	RENT DUE DATE	AMOUNT DUE	REFUNDABLE DEPOSIT	LOCATION OF RECORDS/ KEYS/ COMBINATIONS

Credit Accounts, Loan Payments, and/or Monthly Household Expense Payments

CREDITOR/ COMPANY	ADDRESS AND PHONE #	ACCOUNT #	DUE DATE	AMOUNT DUE	LOCATION OF RECORDS

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Safe Deposit Box or Fireproof Safe

Location: _____ Box #: _____ Location of Keys: _____

Name(s) of those who have access: _____

CONTENTS OF SAFE DEPOSIT BOX OR FIREPROOF SAFE (CHECK THOSE INCLUDED; ADD DETAILS/ATTACH ITEMS AS NEEDED):

- ❒ Birth certificates
- ❒ Adoption papers
- ❒ Death certificates
- ❒ Marriage certificates
- ❒ Divorce documents
- ❒ Religious certificates
- ❒ College degrees/ transcripts
- ❒ Passports
- ❒ Citizenship papers
- ❒ Military/Veteran's papers
- ❒ List of insurance policies
- ❒ Vehicle titles
- ❒ Copy of all documents/cards in wallet
- ❒ Social Security card(s)
- ❒ Employment records
- ❒ Wills (copy)
- ❒ Trusts
- ❒ Powers of Attorney (copy)
- ❒ Household inventory
- ❒ Inventory of: _____
- ❒ Summary of investments and retirement accounts
- ❒ Certificates of Deposit
- ❒ Government bonds
- ❒ Abstract for real estate
- ❒ Deeds and mortgages
- ❒ Burial lot deed
- ❒ Copyrights/Patents
- ❒ Record of online accounts, automatic payments, passwords and log-in names
- ❒ Other: _____

ITEMS TO ATTACH TO THIS FORM:

- ❒ Health care directive
- ❒ Copy of all documents/cards in wallet
- ❒ Household inventory
- ❒ Powers of Attorney (copy)
- ❒ Funeral preferences (pre-planning)
- ❒ Medical information (prescriptions, therapies, allergies, etc.)
- ❒ Other: _____

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After Foreclosure Toolkit

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