

# MANAGING



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## Making the most of what you have

**W**hen your income drops suddenly, you are probably concerned about how to pay your bills and meet your day-to-day expenses

This fact sheet can help you get a handle on your situation. Look at your total financial picture, and figure out where you stand — your **net worth**. Then determine which assets you could use to help meet your financial obligations.

### Determining your net worth

#### Worksheet 1

A net worth statement is a financial balance sheet. It's a calculation of your assets (what you own) minus your liabilities (what you owe).

Preparing a net worth statement will help you more clearly understand your financial resources and how to manage them while you are between jobs.

**Use Worksheet 1: Net worth statement** on page 4 to determine what you have. The asset column is divided into three groups based on how easily you can access their cash value:

- **Immediate use assets** include cash or other **liquid assets** that either are cash or can be quickly and easily converted into cash.
- **Restricted assets** are those with penalties or other restrictions that make them more difficult or costly to access, such as certificates of deposit (CDs) and retirement accounts.
- **Real estate and personal property** are assets that take time to sell. Selling these assets depends on finding buyers who will pay the prices you set.

### Calculating your assets

#### Immediate use assets

Start by writing down the current amount of cash on hand and other immediately available assets.

- **Use the most recent account statements** for checking, savings, and money market account balances.
- **Find out the cash value of your life insurance policies.** Check your policies, or call your insurance agent.
- **If you own stocks, bonds, or mutual funds:** Check a newspaper that publishes daily security price information. Or consult online financial sites such as: MarketWatch, Inc. ([www.marketwatch.com](http://www.marketwatch.com)), CNBC Money — Investing ([moneycentral.msn.com/investor](http://moneycentral.msn.com/investor)), and Yahoo Finance ([finance.yahoo.com](http://finance.yahoo.com)).
- **Find out the current cash value of any government savings bonds you own.** Call your bank or credit union, or check TreasuryDirect online at [www.savingsbonds.gov](http://www.savingsbonds.gov).

#### Restricted assets

Get information about penalties or other restrictions **before** cashing out timed deposits, savings bonds, or retirement plans. Cashing in certificates of deposit (CDs) before they mature generally results in a penalty reducing interest earnings.

- Government Series EE Savings Bonds issued since February 2003 cannot be redeemed until 12 months after their issue date. If you redeem a bond less than five years old, you will forfeit the interest for three most recent months on that bond.



- Withdrawing money from your retirement plan, pension, or Individual Retirement Account (IRA) before you reach age 59½ usually involves a 10 percent penalty. Plus, the amount that you withdraw is subject to state and federal income tax. Check with your tax advisor or the employee benefits office where you worked.
- **Tax-deferred retirement accounts** include 401(k), 403(b), or deferred compensation plans.

### Real estate and personal property

Use the current assessed value of your real estate and the appraised value of your personal property, not what you paid for it.

- Your city or town assessor can tell you the full **market value** or **assessed value** of your home or other real estate.
- Assets such as vehicles, furniture, and appliances usually **depreciate** — go down in value. They are worth less now than when you purchased them, even though they are still in good condition.
- Check a used vehicle guide in your public library's reference section to find the value of your car, truck, or van. Or use online resources such as Kelley Blue Book ([www.kbb.com/](http://www.kbb.com/)) or Edmund's Automobile Buyer's Guides ([www.edmunds.com/](http://www.edmunds.com/)).
- Talk to a dealer who sells used recreational vehicles to find out the value of your boat, camper, snowmobile, ATV, or other recreational vehicle.
- Estimate the value of household items and personal property. Remember these items depreciate. Record what you would expect to receive if you sold everything today.
- Add the dollar amount others owe you, if you really expect to collect it.

Most financial assets are easily sold. If you sell them when the current value is less than your purchase price, you may be able to take a capital loss from your taxable income. If your investments have increased in value, you may owe capital gains tax.

## Calculating your liabilities

Be sure to list the **total balance due**, not just the monthly payment amount.

### Current unpaid bills

List any current unpaid bills. Include the total amount you owe the doctor or dentist and for utilities, phone charges, cable TV, court-ordered payments, and any other unpaid bills.

### Short-term loans

List all consumer credit and installment loans for less than five years. Record the total balance due on credit cards, charge accounts, home equity lines of credit, vehicle loans, other installment loans, personal loans, and any other short-term loans.

### Long-term loans

List the total amount you owe on loans for longer than five years. Include the total balance due on home equity loans used as a second mortgage, student loans, loans against cash value life insurance or 401(k) plans, and any other long-term loans.

The total outstanding balance amount on the mortgage loan for your house or other real estate may be on your monthly statement from the lender. If not, contact the lender to find out the total unpaid amount you still owe on your mortgage.

## What is your net worth?

After you have totaled the amounts for your assets and your liabilities, you are ready to subtract total liabilities from your total assets. The amount left is your **net worth**.

Don't be discouraged if the result is a negative number. This is often the case if you have recently purchased a home and haven't had time to build equity.

## Answer these questions

Take a good look at what you have written on Worksheet 1, and answer the following questions:

- How much of your assets are **liquid**, or easy to turn into cash?
- How much do you have in bank accounts that can be used during your current financial emergency?
- Are you able to make payments on your monthly bills and meet basic living expenses on your reduced income?
- How long will your savings last if you use them to pay current basic living expenses?
- Could you sell any assets to help pay current bills?
- Do you have cash value life insurance against which you could borrow or use as collateral for a loan?
- How much equity do you have in your house? To determine this, subtract the remaining balance to be paid on your mortgage from the market or assessed value.

### Home equity

**To calculate your equity:** Take your home's current (market) value and subtract the total unpaid balance on your mortgage. What remains is the amount of your home you own — your **home equity**.

\$ \_\_\_\_\_ Market or assessed value  
of your home  
- \_\_\_\_\_ Total balance due on  
your mortgage  
\$ \_\_\_\_\_ Your home equity (asset)

While you may be able to borrow against this equity, **be cautious** about taking on more debt. Especially avoid turning unsecured credit card debt into debt secured by your home. Failure to repay a home equity loan may put your home at risk of foreclosure.

- Are your liabilities much greater than your assets?
- Are you behind on any of your payments?
- Can you reduce your debt?
  - Is there a way to lower your payments by paying off debts or refinancing to a reduced interest rate?
  - Are there any items you recently purchased on credit you could surrender or return to the creditor to reduce debt?

For more ideas, see the fact sheets in this series *Deciding which bills to pay first/Cómo decidir qué cuentas pagar primero* and *Talking with creditors/Comunicación con los acreedores*.

- Are you required to pay child support?

**Parents who owe child support:** Contact your family court right away about obtaining a lower support order as a result of your reduced income before you miss a payment. Do this immediately, because support obligations cannot be lowered retroactively.

## Other important assets

### Worksheet 2

**Remember:** Your family has other important assets that do not show up on the net worth statement. Assets such as education, experience, skills, and knowledge are hard to put a dollar value on. Even so, these resources can help you meet expenses.

**Use Worksheet 2: Family resources** on page 5 to identify these important family assets. Talk with family members about ways to use these assets to help you through this period of reduced income.

See the fact sheet in this series *Bartering/El trueque*.

## Turning your assets into cash

**Using your savings** is one way to meet basic living expenses while living on less income. But if you do, be sure to use savings only for **high priority expenses**. Otherwise, you leave nothing to pay for emergencies such as repairs or medical bills.

**Selling personal property you no longer need, could do without, or cannot afford to keep** is another source of funds to help carry you through a financial pinch. Survey your house, basement, garage, and attic for items you could sell.

**Determine a selling price.** Do some research to find out what your items are worth. Visit nearby resale shops and garage sales to find out the going price for similar items.

**Find a buyer.** You cannot sell any of your possessions without finding someone willing to buy them. How can you let prospective buyers know what you have to sell?

Internet auction sites like e-Bay are an increasingly popular way to sell things you no longer need. More traditional methods include posting “For Sale” notices on community bulletin boards in supermarkets, shopping malls, and laundromats. Cards with small tear-off tabs listing your phone number and the item for sale make it easy for buyers to call you.

Other inexpensive ways to advertise sale items are radio call-in shows that allow for-sale items and classified ads in newspapers or weekly shoppers.

## Setting priorities

Setting spending priorities and spending less are essential steps in making the most of what you have. See these fact sheets in this series *Setting spending priorities/Cómo establecer las prioridades de gastos* and *Strategies for spending less/Cómo gastar menos*.

For more information on dealing with debt, see the fact sheets in this series *Deciding which bills to pay first/Cómo decidir qué cuentas pagar primero* and *Talking with creditors/Comunicación con los acreedores*.

## Cautions

- **Don't turn unsecured debt into secured debt.** Don't take out a home equity loan or a loan against your home to pay credit card, medical, or utility bills. Be wary of lenders with such offers. By trading unsecured debt for a loan on your home, you could lose your home if you fail to make loan payments.
- **Don't use savings for unsecured or other low priority debts.** Your savings are a valuable resource to protect your home and other important property. Don't be pressured into using your savings or remaining assets to pay off credit cards, other unsecured debts, or debts turned over to collection.
- **Think carefully before spending your retirement money.** If you are close to retirement, it may be wise to consider other options and leave your retirement savings intact. Early withdrawal of retirement funds can result in a 10 percent penalty. Plus, the amount withdrawn is subject to state and federal income tax.
 

On the other hand, if you are young and likely to have many years to rebuild your retirement fund or repay a loan from your 401(k) plan, this may be an option. Check with your former employer for more information.
- **Re-examine recent tax returns.** You should take a moment and reconsider any recent (past 2 to 3 years) tax returns. If there was a mistake made, such as you did not apply for a tax credit such as the Earned Income Credit or others, it is not too late. It is likely you made no errors, but if you did then you can file an amended tax return to reclaim these credits. You may need help with this and if so you should check with your local extension office for who might be able to help you with this process.

# Worksheet 1: Net worth statement

For explanations and more examples, use the directions for "Determining your net worth" on pages 1-3. Modify asset and liability item labels according to your needs.

1. Assets—What we own	Cash value \$ amount	2. Liabilities—What we owe	Cash value \$ amount
<b>Immediate use assets</b>		<b>Current unpaid bills</b>	
Cash on hand	_____	Doctor, dentist	_____
Checking accounts	_____	Electricity, natural gas, or fuel oil	_____
Savings accounts	_____	Phone, Internet, cable TV	_____
Cash value life insurance	_____	Court-ordered payments, judgments, back taxes	_____
Money market accounts	_____	Other	_____
Stocks	_____	<b>Short-term loans less than 5 years</b>	
Marketable bonds	_____	Credit card balances	_____
Mutual funds	_____	Other charge accounts	_____
Other	_____	Home equity line of credit	_____
<b>Restricted assets</b>		Vehicle loan balance(s)	_____
Certificates of deposit (CDs)	_____	Other installment loans	_____
Savings bonds	_____	Personal loans	_____
Individual Retirement Accounts (IRAs)	_____	Other	_____
Pensions (current lump sum amount)	_____	<b>Long-term loans more than 5 years</b>	
Tax-deferred retirement accounts	_____	Mortgage balance(s)	_____
Stock options	_____	Home equity loan or second mortgage	_____
Other	_____	Student loan balance(s)	_____
<b>Real estate and personal property *</b>		Loans against life insurance or 401(k) plan	_____
House and other real estate	_____	Other	_____
Vehicles	_____	<b>TOTAL liabilities</b>	_____
Recreational vehicles	_____		
Jewelry, tools, collectibles	_____		
Furniture, appliances	_____		
Amount others owe you	_____		
Other	_____		
<b>TOTAL assets</b>	_____		

\* Use current market or assessed value — not the purchase price.

## 3. Net worth

Subtract your total liabilities from your total assets. This is your net worth.

**TOTAL assets** \$ \_\_\_\_\_  
**- TOTAL liabilities** \$ \_\_\_\_\_  
**= Net worth** \$ \_\_\_\_\_



## Worksheet 2: Family resources — Other assets

Use this worksheet to list other assets that you and family members have that can help make ends meet.

Resource (example)	What	Who
<b>Abilities</b> (Ability to plan)		
<b>Attitudes</b> (Willing to accept change, flexible)		
<b>Awareness</b> (Sensitive to needs of others)		
<b>Creativity</b> (New ideas, artistry)		
<b>Interests</b> (Gardening)		
<b>Job training or certification</b> (Car repair, child care certification)		
<b>Knowledge, education</b> (Associate degree, GED)		
<b>Self-confidence</b> (Willing to take risks, try new things)		
<b>Skills, experience</b> (Sewing, baking, woodworking)		
<b>Time</b> (Available weekdays when others are not)		
<b>Other</b> (Multilingual, multicultural)		

## Resources

### Know your rights

Look for these consumer guides at your local public library. If you do not have a computer, most libraries have one you can use.

Leonard, Robin. *Money Troubles: Legal Strategies to Cope with Your Debts*. 9th ed.. Berkeley, CA.: Nolo Press, 2003.

National Consumer Law Center. *Surviving Debt: A Guide for Consumers*. Boston: NCLC Publications, 2002:  
www.consumerlaw.org/publications/guides/surviving\_debt.shtml.

Ventura, John. *Beating the Paycheck to Paycheck Blues*. Chicago: Dearborn Financial Publishing, 1997.

### For help making the most of what you have...

See these money management fact sheets in this series, in English or Spanish:

*Setting spending priorities* (B3459-01)/  
*Cómo decidir cuáles son los gastos más importantes* (B3459-01S)

*Strategies for spending less* (B3459-02)/  
*Cómo gastar menos* (B3459-02S)

*Deciding which bills to pay first* (B3459-03)/  
*Cómo decidir qué cuentas pagar primero* (B3459-03S)

*Talking with creditors* (B3459-04)/  
*Comunicación con los acreedores* (B3459-04S)

*Keeping a roof overhead* (B3459-05)/  
*Cómo asegurarse de que la familia tenga donde cobijarse* (B3459-05S)

*Meeting your insurance needs* (B3459-06)/  
*Cómo pagar por el seguro que necesita* (B3459-06S)

*Bartering* (B3459-07)/  
*El trueque* (B3459-07S)

*Making the most of what you have* (B3459-08)/  
*Cómo sacar el mayor provecho de lo que tiene* (B3459-08S)

*Deciding if bankruptcy is an option for you* (B3459-09)/  
*Cómo decidir si la protección por bancarrota es una buena opción para usted* (B3459-09S)

*Taking care of yourself* (B3459-10)/  
*Cómo satisfacer las necesidades personales* (B3459-10S)

*How you can help when mom or dad is unemployed* (B3459-11)/  
*Cómo puedes ayudar cuando tu papá o tu mamá está sin empleo* (B3459-11S)

*Helping children cope* (B3459-12)/  
*Cómo ayudarles a los niños a sobrellevar las dificultades* (B3459-12S)

*Community agencies that can help* (B3459-13)/  
*Las agencias comunitarias pueden ayudar* (B3459-13S)

*Looking for a job—Watch out for scams* (B3459-14)/  
*Búsqueda de trabajo—Tenga cuidado con las estafas* (B3459-14S)

*Where to go for help finding a job* (B3459-15)/  
*Dónde conseguir ayuda para encontrar empleo* (B3459-15S)

*Starting your own business* (B3459-16)/  
*Cómo iniciar su propio negocio* (B3459-16S)



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