

## ***Budgeting to Weather the Storm***

When money gets tight, it makes sense to tighten your belt. Even if it's only for a short time, it will help you to have your expenses match your income. If yours is a longer-term problem, cutting costs now and trying to save what you can will help down the road.

The key to budgeting during a time of lowered income is knowing what you *need* compared with what you *want*. Focus on "needs" now. You'll be able to spend more on "wants" when your income becomes more stable.

### **Key points:**

- ▶ Make your mortgage payment a **top priority**. Paying your mortgage means stability for your family and preserves your credit rating. Since your mortgage loan is secured by your home, it can be taken away if you don't keep up with payments. Note that fees and other costs start growing after 3 missed payments; these will snowball and add to your loan balance.
- ▶ Pay credit card bills and other unsecured debts **last**. (See more about credit cards below.) Unsecured debts mean that the lender can't take anything away from you if you aren't able to pay it back.
- ▶ You will not be eligible for a mortgage modification if you regularly spend more money than comes in. Increase your income and/or cut expenses so the budget is realistic and balanced. (A budget form is at the back of this fact sheet.)

- ▶ If creditors are harassing you, you have rights. See the FTC information at the end of this fact sheet.

### **Immediate ways to save:**

Use the budget form in this fact sheet to list all your expense. Think about ways to reduce costs:

- ▶ Can you shop for less expensive insurance, cable service, and cell phone plan?
- ▶ If travel costs are high, can you car-pool?
- ▶ If you're behind on your utility bills, contact your utility companies about setting up a repayment plan.
- ▶ Reduce your spending on non-essential items such as eating out, clothes, movies at theaters, household items, and toys.
- ▶ Reduce your spending on groceries. Could you buy store brands, less expensive cuts of meat, and fewer prepared items?
- ▶ Save on utilities by turning down the heat and turning off lights.
- ▶ Don't go shopping. While this may seem obvious, stores are experts at getting us to buy things we may not need. Shop with a list, and don't shop just for fun or to keep someone company.

### **Longer-term ways to save:**

- ▶ Refinance your home or obtain a loan modification to reduce your interest rate and monthly mortgage payment.
- ▶ Can you bring in more income by working overtime, selling household items, taking

a part-time job, or turning something you do for fun into a moneymaker (home repairs, knitting, scrapbooking, photography)?

- ▶ See if you qualify for any social programs, such as reduced or free school meals, food stamps, WIC, utility assistance, or weatherization grants.
- ▶ Pay down your debts that have the highest interest rates—usually credit cards and store cards. If you can pay a little extra each month on those, they will be paid off sooner and you will save hundreds, maybe thousands, of dollars. (PowerPay is a free and secure online tool to see what bills to pay first; see <https://powerpay.org/>)
- ▶ Try to pay at least a little on each credit card every month. This helps to keep the account from going to collections. Most companies offer temporary hardship or interest-only payment programs. However, these programs are often not available if you are late on payments. It's better to call as soon as you know you may be late, rather than wait.

### **Making it work:**

- ▶ A normal emotional reaction is to pay everyone a little or pay the collection agent who threatens the most. But you need to make strategic choices, some of which may be tough. Stick to your guns.
- ▶ The whole family needs to pitch in to save. Older kids will understand the need to cut back. Explain what things like Internet access or cell phones really cost, so they understand their value and the need to cut back as needed.
- ▶ Make saving fun. For example, show your kids how much further your money goes at a clothing consignment shop!

- ▶ Enjoy free entertainment and simply being together. Borrow movies from your library. Play board games. Go to free events like sports or concerts. Play ball in the backyard or park; go for a hike or bike ride.
- ▶ Brainstorm with friends and family about how to live with less. Buddy up with someone who can help you stay on track.

### **Things to consider:**

- ▶ **Mortgage:** What is the outstanding amount and interest rate? If the balance is below 80% of the original price and the interest rate can decrease by at least 2% (from 8% to 6%, for example), consider refinancing with your current lender or another lender. If your home is “underwater”—you owe more than it's worth in today's market—see the “Getting Help from Federal Programs” fact sheet.
- ▶ **Utilities:** Get out recent bills and see if there are any add-on services you can cut, such as call waiting or caller ID. Call your Cooperative Extension office for suggestions on saving energy—and money. Ask to be put on a monthly budget payment so your payment is predictable.
- ▶ **Credit cards:** Look at your most recent balance and interest rate. Does a local credit union offer lower interest rates? Watch out for “teaser rates” while shopping for a new card—the permanent rate is what's important. Do not open a new credit card account unless you have paid off the original or can transfer the entire balance to a new card with a lower rate.

- ▶ **General spending:** Look at the past few months of bank statements and see where you're spending your money. Imagine if that money could stay in your account. Do you have memberships billed every month that could be eliminated? What looks like a luxury when you look at your statement?
- ▶ **Transportation:** Can you save on transportation costs by using your car less or trading in for a lower-cost or more fuel-efficient model?

### **Sticking to it:**

Budgeting puts **you** in control. You can make wise financial decisions—and stick to them! The lessons you learn during these difficult times will help you and your family to thrive financially now and into the future.

### **For more information:**

- ▶ Advantage Consumer Credit Counseling Services on budgeting during a crisis: <http://www.advantageccs.org/blog/wordpress/index.php/tips/crisis-budgeting>
- ▶ Straightforward advice from My Super-Charged Life: <http://mysuperchargedlife.com/blog/how-to-avoid-buying-things-you-do-not-need/>
- ▶ The Federal Trade Commission's (FTC's) information on your rights regarding debt collection: <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre18.shtm>

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## Is My Mortgage Affordable?

INCOME	
Net Monthly Salary – Borrower	
Net Monthly Salary – Co-borrower	
Social Security	
Pension	
Alimony or Child Support	
Self-Employment Income	
Other Income	
<b>Total Monthly Net Income:</b>	

EXPENSES (continued from left column)	
<b>Transportation</b>	
Car Payment(s)	
Car Maintenance	
Gasoline	
Car Insurance	
Public Transportation	
Tolls	
Other	
<b>Total Transportation:</b>	

EXPENSES	
<b>Housing</b>	
1st Mortgage (primary residence)	
2nd Mortgage/Home Equity Loan (primary residence)	
Property Taxes (primary residence)	
Insurance (primary residence)	
Rent	
Association Fees	
Mortgage, Taxes, Insurance (2nd home)	
Investment Payments	
Home Maintenance	
Other	
<b>Total Housing:</b>	

Dependent Care	
Child Care/Babysitter	
Child Support Payments	
Other	
<b>Total Dependent Care:</b>	

Necessities	
Groceries	
Medical/Life Insurance	
Household Supplies	
Laundry/Dry Cleaning	
Personal Care	
Other	
<b>Total Necessities:</b>	

Monthly Debts	
Credit Cards	
Student/Secured Loans	
Other	
<b>Total Monthly Debts:</b>	

Education	
Tuition	
School Lunches	
Other	
<b>Total Education:</b>	

Utilities	
Electric	
Water	
Fuel (Gas, Oil, Etc.)	
Telephone	
Cable	
Internet	
Cell Phone	
Other	
<b>Total Utilities:</b>	

Miscellaneous	
Eating Out	
Charities/Church	
Pets	
Gifts	
Other	
<b>Total Miscellaneous:</b>	

Medical	
Medical/Dental Bills	
Prescriptions/Co-pays	
<b>Total Medical:</b>	

<b>Total Monthly Net Income:</b>	
<b>Total Expenses</b> (add up all bold outlined expenses):	
<b>Total Surplus or Deficit</b> (income minus expenses):	

<b>FUNDS AVAILABLE MONTHLY</b> (Surplus or Deficit)	
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