

TAKING CHARGE in Challenging Times

MAKING THE MOST OF WHAT YOU HAVE

When your family income drops suddenly or expenses unexpectedly increase, your first concern may be how to pay your bills and meet your day-to-day expenses. It is also important to look at your total financial picture and determine which assets you might use to meet family obligations.

Determining Your Net Worth

A net worth statement is a financial balance sheet. It is a calculation of your assets (what you own) minus your liabilities (what you owe). Preparing a net worth statement will help you get a clearer understanding of your financial resources and it will be useful in making decisions about how best to manage them.

Use Worksheet 3, "Net Worth Statement," to determine your net worth. The asset column is divided into the following groups:

Liquid Assets - Cash or items owned that can be easily converted to cash. Keep in mind that cashing in certificates of deposit (CDs) before they mature may result in an interest penalty.

Marketable Assets - Financial assets that can be cashed in or sold for their current market value. Prices will fluctuate with market conditions.

Other Personal Assets - Real estate and personal property that can be sold, but usually not as quickly as the assets above. Assets such as vehicles, furniture, and appliances usually depreciate in value; so they are worth less now than when you purchased them, even if they are still in good condition.

Non-Marketable Assets - Assets that cannot be sold or are more difficult to turn into cash. Withdrawing money from your retirement plan, pension, or Individual Retirement Account (IRA) before age 59^{1/2} usually involves a substantial penalty.

Calculating Your Assets

- Write down the current amount of cash on hand. Use the most recent statements for checking, savings, money market account balances, and current certificate values.
- If you have government savings bonds, call a bank to find out the current value.
- Find out the cash surrender value of your whole life insurance policies by checking your policy or calling your agent.
- If you own stocks, bonds, or mutual funds, check a newspaper that publishes the stock market information daily. They are available in most libraries.
- Use the current value of your house or other real estate - not what you paid for it. Your local tax assessment official can tell you its full assessed value.
- Check a used vehicle guide (Blue Book) through your local library, insurance agent, or banker for the value of your car(s) and truck(s).
- To find out the value of your boat, camper, or any other recreational vehicle, talk to a dealer who sells used recreational vehicles.

- Make a conservative estimate of the value of household items and personal property, recording what you could get if you sold everything today.
- List the current value of your pension, IRAs, or other retirement plans, using the amount you would get if you were to cash them in today.
- Do not forget to add money others may owe you if you realistically expect to collect it.

Calculating Your Liabilities:

- The balance of the mortgage loan on your house may be on your monthly statement. If not, ask the lender for the outstanding balance.
- Record the balance due on all credit cards, charge accounts, installment accounts, and other loans. Be sure to list the total balance due, not just the monthly payment.
- List any current unpaid bills, including what you owe the dentist, this month's utilities, telephone charges, etc.

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

Questions to Ask Yourself

Take a good look at what you have written down and answer the following questions:

- Are you able to meet your current monthly bills and expenses on your reduced income?
- Are you behind in any of your payments?
- Where are most of your assets? Are they mostly in one item, your house or vehicle, for example?
- How many 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?

- How long will your savings last if you use it to pay current living expenses?
- What marketable assets could be sold or converted to cash to help pay current bills?
- How much equity do you have in your house? To calculate this, take your home's current market value and subtract the balance owed on your mortgage.
- Do you have any vehicles or other personal property that could be sold?
- Do you have cash value life insurance against which you could borrow?
- What financial assets do you have that you are not using?
- Are your assets greater than your liabilities?
- 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 could be surrendered or given back to the creditor to get out from under a debt?

Other Important Assets

Remember that 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, but do not overlook them as a resource to help meet expenses.

Use Worksheet 4, "Family Resources," to identify these important family resources. Talk to family members about ways to use their assets to help during this period of reduced income.

Liquidating Your Assets

Using your savings is one way to supplement your income. Be cautious, however, about using savings for things that are not a high priority. Otherwise, you leave nothing for emergencies such as

Worksheet 3- Net Worth Statement

Date: _____

Assets: (What You Own)

\$ Amount

Liquid Assets

Cash on hand	_____
Checking account	_____
Savings account	_____
Money market account	_____
Certificates of deposit	_____
Cash value life insurance	_____
Other	_____

Marketable Assets

Savings bonds	_____
Other bonds	_____
Mutual funds	_____
Stocks	_____
Other	_____

Other Personal Assets

Market value of house	_____
Other real estate	_____
Value of vehicles	_____
Value of boats, RV'S	_____
Furniture and appliances	_____
Other	_____

Non-Marketable Assets

IRA's	_____
Pensions (current value)	_____
Amount others owe you	_____
Other	_____

TOTAL ASSETS

Liabilities: (What You Owe)

\$ Amount

Mortgage	_____
Home equity loan	_____
Vehicle loan(s)	_____
Other installment loans	_____
Credit card balances	_____
Charge account balances	_____
Personal loans	_____
Current unpaid bills	_____
Other debts	_____

TOTAL LIABILITIES

Assets \$ _____ - Liabilities \$ _____ = Net Worth \$ _____

unanticipated repairs or medical bills. Setting spending priorities and decreasing expenses are essential steps in making the most of your assets.

Many times people overlook, or do not want to touch, certain assets such as coins in piggy banks, savings bonds, or money stashed for Christmas or vacations. This emergency cash may keep you from raiding funds set aside for financial priorities.

A certificate of deposit is not untouchable. Cash in a CD before it matures and you lose some interest income. But sell a favorite stock or mutual fund and you can lose much more. You may be forced to sell stocks and bonds when market conditions are not favorable. Determine which stocks or bonds have fallen the least because they have held their value the best. Sell those assets first to minimize your loss.

Another alternative is to take out a home-equity loan. The interest you will pay is generally tax deductible. Just remember that failure to repay a home-equity loan may cause your family to be homeless.

A better strategy might be to borrow money using assets such as CDs, stocks, or mutual funds as collateral. Financial assets held by a bank or brokerage can be used as collateral for a loan. Because the loan is secured, the interest rate is generally lower than on personal loans.

Borrowing against your 401(k) may not be a good idea, even if your plan allows it. True, you pay the interest to yourself. But the real cost of a 401(k) loan is the lost earnings on the borrowed money. If you invest aggressively in your 401(k), this could turn out to be an expensive loan.

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 cannot afford to keep. Survey your house, basement, garage, and attic for items that could be sold.

Do some research to find out what items you own are worth. Visit resale shops and garage sales in the area to find out the going price for similar items.

However, you cannot sell any of your possessions without finding someone willing to buy them. Think about ways you can inform prospective buyers of what you want to sell. Community bulletin boards in supermarkets, shopping malls, and laundromats are very popular for posting "For Sale" notices. Cards with small tear-off tabs listing your phone number and the item for sale make it easier for buyers to call you. Other inexpensive ways to advertise your sale items are radio call-in shows that allow for sale items and classified ads in newspapers or shopper publications.

Worksheet 4 - Family Resources

Resource	(Examples)	Resources family members can contribute	Which family members?
Skills	Skill in sewing, baking, woodcarving		
Abilities Interests	Ability to plan Interest in gardening		
Job Training Certifications	Car repair Child care certification		
Attitudes Self-confidence	Willingness to take risks, try new things		
Creativity	New ideas, artistry		
Awareness	Sensitivity to needs of others		
Time	Friday night, Saturday, Sunday		
Energy	High level		
Others			