

# Getting Through Tough Financial Times

## Assessing Your Financial Situation

When your family income drops suddenly or expenses unexpectedly increase, your first concern may be to pay your bills and meet your day-to-day expenses. You should also look at your total financial picture and determine whether there are assets you might use to meet family obligations.

## Determining Your Net Worth

What financial assets do you have? How much do you owe? A net worth statement is a financial balance sheet, the total of your assets (what you own) minus your liabilities (what you owe). Preparing a net worth statement will help you assess your overall financial situation and make wise decisions.

Use the Net Worth Statement worksheet to determine your net worth. Date your worksheet so you can track changes in your net worth over time.

The asset column is divided into the following groups:

**Cash** — Those things that either are or 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.

**Investments** — Financial assets that can be cashed in or sold for their current market value. Prices will fluctuate with market conditions. Annuities may have surrender penalties. You may also owe income taxes and early distribution penalties on money taken from annuities.

**Retirement Assets** — Assets that are held in tax-advantaged retirement accounts, such as 401(k) plans, IRAs, and pensions. You will owe regular income tax on withdrawals from tax-deferred accounts, and withdrawals before age 59-1/2 usually involves an additional 10% penalty.

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

Calculate the value of your assets:

- Write down the current amount in each account where you keep cash and liquid savings, such as checking, savings, and money market accounts; certificates of deposit (CDs); and money market funds.
- If you have savings bonds that you have held for at least a year, use the calculator at [http://www.treasurydirect.gov/indiv/tools/tools\\_savingsbondcalc.htm](http://www.treasurydirect.gov/indiv/tools/tools_savingsbondcalc.htm) to determine the current value or call a bank to find out the current value.
- If you have a whole life policy (one that builds a cash value), find out the cash surrender value by checking your policy or calling your agent.
- If you own stocks, bonds or mutual funds, check the current value on financial websites or use the value from your last statement.
- Use the surrender value for annuities. For several years after purchase, the insurance company will charge a surrender fee if you withdraw the money.

- Use the current value of your house or other real estate — not what you paid for it. You can also check sales prices of similar homes in your area on [www.zillow.com](http://www.zillow.com), or check with a real estate agent in your area.
- Check a used vehicle guide (Blue Book) online at <http://www.kbb.com/> or through your local library, insurance agent or banker for the value of your cars and trucks.
- To find out the value of your boat, camper, snowmobile or any other recreational vehicle, talk to a dealer who sells used recreational vehicles.
- Make a conservative estimate what you could get if you sold household items and personal property today.
- List the current value of your pension, IRAs or other retirement plan, using the amount you would get if you were to cash them in today.
- List money others may owe you if you realistically expect to collect it.
- Add any other types of assets such as a business, rental property, or royalties.

Calculate 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. Also list any second mortgages or home equity loans.
- 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 or overdue bills you owe, including the dentist, utilities, telephone, and property taxes which are billed one year later and are owed even if you sell the home.

After you have totaled both your assets and your liabilities, subtract total liabilities from total assets. What's left is your net worth.

## Questions To Ask Yourself

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

- How long will your savings last if you use them to pay current living expenses?
- Where are most of your assets? Are they mostly in one item or category, such as your house, business, or retirement plan?
- 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?
- What investments could be sold or converted to cash to help pay current bills?
- Are your investments concentrated in one asset class or company, such as the stock of the company you work for?
- How much equity do you have in your house? Take your home's current market value and subtract the balance 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?
- Are your assets greater than your liabilities?
- 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 could be surrendered or given back to the creditor to remove the debt?

## Other Important Assets

Remember that your family has other important assets that don't show up on the net worth statement. Assets such as education, experience, skills and knowledge are hard to put a dollar value on, but don't overlook them as a resource to help meet expenses.

Use the Family Resources worksheet to identify these important family resources. Talk to family members about ways to use their assets to help during this period of reduced income, and in the future. For more ideas, see Bartering.

## Liquidating Your Assets

Using your savings is one way to supplement your income. Be cautious, however, about using savings for things that aren't a high priority. You may need those dollars for other emergencies such as car repairs or medical bills. Setting spending priorities and decreasing expenses are essential steps in making the most of your assets. It may take time to reduce your expenses to match your current income. View using your savings as only a stop-gap measure until you can permanently reduce your expenses to match your new situation.

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

Determining a selling price. Do some research to find out what your items are worth. Check E-Bay.com or visit resale shops and garage sales to find out the going price for similar items.

Finding a buyer. You can't sell any of your possessions unless you find 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. Having a yard sale or selling items on line are other options.

