GREENPATH FINANCIAL WELLNESS SERIES

MONEY MANAGEMENT THROUGH TRANSITIONS

"Empowering people to lead financially healthy lives."

GreenPath™ financial wellness

TABLE OF CONTENTS

CHECK YOUR KNOWLEDGE

Look for this icon throughout the workbook for important information.

Going through a transition in life can cause significant financial challenges. Whether the changes you're experiencing are intentional or involuntary, money management is key to reducing stress and weathering financial challenges successfully.

An honest assessment of your current financial situation, careful planning and a positive approach can make the difference between negative long-term financial consequences and riding out the change with relative ease.

ASSESSING YOUR SITUATION

Knowing where you are now is essential to determining your destination and the path to take to get there. We'll examine the cause of the transition, your current financial situation and resources you may have available to you. Let's get started.

CAUSES AND DURATION OF TRANSITION

Identifying the reason for the transition and the likely length of the transition period will help you determine its impact on your financial situation and whether you need to make long- or short-term changes.

Intentional transitions:

- Career change
- Retirement
- Divorce
- Parenthood or other family responsibilities

Involuntary transitions:

- Reduced wages or hours; loss of overtime
- Furlough
- Layoff or loss of job
- Disability
- Death of a loved one or partner

Some transitions are temporary while others may be of a more permanent nature. For instance, if you are in the midst of a career change and your income will rebound quickly, you'll want to make changes but they may only need to be temporary. If you're retiring, the changes will likely be longer-term or permanent.

Is your financial situation likely to return to its previous status? How long is the transition likely to last?

- ❑ Yes, my financial situation will return to previous status in:
  - 1 – 3 months
  - 3 – 6 months
  - 6 months to 1 year
  - 1 – 5 years
  - 5+ years
- ❑ No, my financial situation is not likely to return to previous status

YOUR CURRENT FINANCIAL SITUATION

As you are determining how you'll navigate your new financial circumstances, it's important to know your current financial situation. To do this, you'll need to pull together some information.

IMMEDIATE NEEDS

As you begin this transition, you may find yourself in a crisis or you may have time to plan. In either case, ask yourself these questions:

• Are any bills overdue?	Yes	No
• Are any accounts overdrawn?	Yes	No
• Are creditors calling?	Yes	No
• Am I experiencing significant stress or worry regarding my current financial situation?	Yes	No

If you've answered yes to any of these questions, you may want to ask for help for the most immediate needs. Talking with your financial institution, a non-profit credit counseling agency or another trusted advisor may be very helpful.

IDENTIFYING RESOURCES

During a time of transition, take advantage of the resources that are available. These resources may include not only personal financial resources (savings, emergency accounts, assets that could be sold, etc.) but also those available through your extended family, the community or your religious affiliation, among others.

YOUR NET WORTH

For some people, the term "Net Worth Statement" sounds a bit intimidating. It's actually very simple. It's usually one page and lists what you OWN (Assets) and what you OWE (Liabilities).

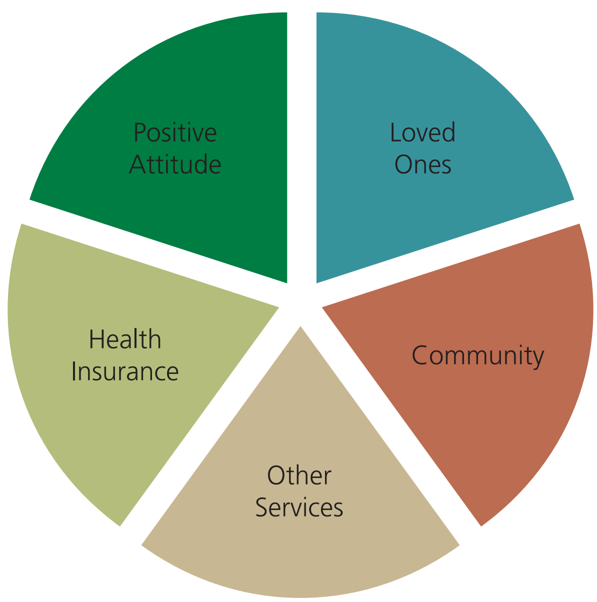
NET WORTH STATEMENT	
Date:______________	
Assets (What you OWN)	**Value/Amount**
In Accounts: Savings, Checking, CD, etc.	
Investments: Stocks/Bonds/Mutual Funds	
Life Insurance Cash Value	
Retirement: 401(k), 403(b), IRA, Roth IRA	
Home Value	
Other Real Estate	
Vehicle 1 (check www.kbb.com)	
Vehicle 2	
Collectibles, jewelry, etc.	
Other assets	
Total Assets	
Liabilities (What you OWE)	**Amount**
Mortgage	
Home Equity Loan(s)	
Mortgages on other real estate	
Auto Loan/Lease 1	
Auto Loan/Lease 2	
Total credit card balances	
Unsecured or student loan(s)	
Taxes owed	
Life Insurance or 401(k) 403(b) loan(s)	
Other debts including those to family or friends	
Total Liabilities	
Net Worth (Assets minus Liabilities)	

Once you know what you own and what you owe, you're able to see what obvious assets you have as well as what challenges you may have in terms of debt. In a long-term situation, you might look at liquidating some of your assets, in other words, selling something. It may be that, in retirement, your home is simply too big and you have a great deal of equity in it. One strategy may be to sell your house and some of its contents, move to a smaller home and use the proceeds from the sale to pay off debt, increase savings or provide a safety net during the transition.

You may also consider borrowing against or cashing in the cash value on life insurance or retirement accounts. These choices can have significant consequences on long-term stability and taxes. Be sure to look at all the pros and cons of these options with a professional.

One asset that people often don't consider is their "stuff." A garage sale can be a quick way to earn some cash for bills or emergency savings.

OTHER RESOURCES



Loved Ones: When faced with a significant life change, one of the first things to do is to talk with your loved ones about it, seeking their support and input. Whether you live in a household with others or by yourself, having a strong support network is key to surviving and even thriving through challenging transitions.

You may find that there are resources around you, either in your home or within your circle of friends and family, that can help ease you through the change in your circumstances. It is difficult to be vulnerable but remember that people want to help and appreciate the opportunity to do so.

Community: We're often unaware of many community resources that are available. Churches, synagogues and temples often have resources to help with financial challenges. Food pantries are a wonderful source of support and can bridge the gap when income is low. One quick way to check on available support services in your area is to contact United Way by dialing 211 or search for your local office at *www.unitedway.org*.

Other Services: In addition to the above resources, there are other services that you may be entitled to, including unemployment compensation, food stamps or other benefits. Each state handles assistance programs differently so you'll want to check in your area to find the best way to apply for these services. For more information about federal and state resources visit www.USA.gov and go to the Benefits, Grants and Loans section.

Health Insurance: Health care is a big concern when going through a transition. Health insurance is a very complicated area so you'll want to seek help from your current or former Human Resources Department or your state Commissioner of Insurance to find out your rights and the next best steps for you. You may also want to check on health insurance from your spouse's employer or through *www.healthcare.gov.*

In addition to possible health care options, you may also be eligible for benefits from your employer or former employer including Employee Assistance Program, severance pay, coaching and job placement services.

Positive Attitude: One of the most important things you can do is to stay positive. Transitions are difficult and can create feelings of inadequacy, frustration and fear. When living alone, one can become isolated; when living with others, these feelings can cause conflict. If you are feeling overwhelmed or think these conflicts are escalating, ask for support from friends, family or professionals.

CREATING A SPENDING PLAN OR BUDGET

Now that you've identified potential resources, you'll want to focus on where your money is currently going. Without knowing this, it is nearly impossible to make informed decisions about what changes you may want to make.

Simply put, a spending plan or budget is a list of income (how much money comes in) and expenses (where the money goes). There are several ways to gather this information. It's often easier to figure out how much money comes in than where the money goes.

To determine how much money is coming in, count all sources of income including any unemployment compensation or severance pay you'll receive. Use what you know will come in and not what you hope will come in. Work with the most concrete, guaranteed numbers possible when it comes to income.

Determining where your money is going can take a bit more time and effort. If you use debit or credit cards for most of your spending, you can easily get a list of the transactions online or by looking at your printed statement. If you use checks, your checkbook will be a good place to get the information. If you mainly use cash and have not kept track of where you spend it, you'll need to start keeping a log of every dollar you spend.

Once you have a list of your expenses and recent purchases, you'll want to categorize your spending so that you can determine where your money goes. You may want to use very simple categories or be more detailed. Let's see how one family does it:

Jane was recently laid off from her job. She and Joe know that they'll need to change their income or spending to manage this change. Here is their current spending plan:

JOE AND JANE'S MONTHLY SPENDING PLAN		
Income		**Totals**
Take home pay	$2,000	
Unemployment	$1,000	
Total Income		**$3,000**
Expenses		
Housing	$1,200	
Utilities	$150	
Car payment	$200	
Insurance	$75	
Gas	$200	
Cell phone	$175	
Cable	$150	
Groceries	$700	
Gifts	$100	
Clothing	$150	
Children's lessons	$100	
Eating out/entertainment	$150	
Emergencies	$100	
Total Expenses		**$3,450**
Surplus or Deficit		**-$450**

To include the periodic and unexpected expenses, Joe and Jane used the below chart. Periodic expenses come less often than monthly, like gifts and insurance. Emergencies (unexpected expenses) are just that – the car that breaks down or a medical bill that wasn't covered by insurance. Those things will continue to happen and you need to plan for them.

EXPENSES	ANNUAL COSTS	MONTHLY COSTS
Gifts	$1,200	$100
Children's lessons	$1,800	$150
Insurance	$900	$75
Emergencies	$1,200	$100

It isn't necessarily important to budget down to the penny. But it is important to have a good idea where your money is going so that you can make changes as needed. Don't panic if, right now, there is more money going out than coming in, as there is for Joe and Jane. We're going to deal with that next.

Summary of Your Situation

1. What happened? ______________________________
2. How long will it last? (be conservative) ______________________________
3. What money do I have coming in? ______________________________
4. How much money is going out? ______________________________
5. What the bottom line on the spending plan? ______________________________

If Line 5 above is positive, called a "surplus", you're in good shape. However, if Line 5 is negative, called a "deficit", some adjustment will need to happen.
Let's find some ways to overcome a deficit.

ACTION PLAN – YOUR CURRENT FINANCIAL SITUATION

- ❑ Seek help for any immediate financial needs
- ❑ Decide whether to use some of my assets
- ❑ Identify and contact friends/family that can give me support
  - – ______________________________
  - – ______________________________
  - – ______________________________
  - – ______________________________
  - – ______________________________
- ❑ Research community resources
- ❑ Call 211 (United Way's Resource Line) to learn what other resources are available in my area
- ❑ Check *www.USA.gov* and apply for unemployment, social security, disability, food stamps or other government programs
- ❑ Create a plan for health insurance
- ❑ Contact the H/R department at my current or former employer for any benefits I might be eligible for
- ❑ Take care of myself and my family; be positive and ask for support as needed
- ❑ Create a spending plan/budget

MAKING A PLAN

ADJUSTING INCOME & SPENDING

To overcome a deficit, either the income needs to increase, expenses need to decrease or a combination of both. When evaluating your situation only you can determine the best plan for your household.

In some situations, increasing income may mean dipping into savings, getting a part-time job, a spouse returning to work, renting a room in your home, or selling assets. In other situations, none of these strategies are practical so the focus turns to lowering spending.

When prioritizing bills, you will first want to categorize your expenses, separating needs from wants. Most needs are the same for everyone:

- Food/Water
- Shelter
- Heat/Electricity
- Transportation
- Health care/insurance

Go over your spending plan and prioritize the remaining categories. How important is your cable/satellite or your gym membership? Do you have children in sports or dance and, if so, how important is that to you and your family? By prioritizing, you're determining where you want your money to go during this transition.

For a short-term situation, changing fixed expenses like housing or vehicle payments may not be necessary. It's possible that, by lowering spending on your "want" categories like eating out, entertainment, clothing and gifts, you'll be able to ride out the transition without making more permanent changes.

For longer-term changes or a large deficit, you'll want to start with the "want" items in your spending plan but the changes will probably not end there. You may need to lower your expenses on the "need" items.

Changing some of your larger expenses by selling a home or car can be difficult both physically and emotionally. Be open to whatever changes need to be made but be gentle as well. Sometimes lowering the expenses on these more expensive items can make a big difference in the long-term financial health and wealth of a family.

Creating a list of options can be very helpful. Here's an example:

Joe and Jane's spending plan has a deficit of $450 per month because Jane was laid off from her job. She hopes to find another job quickly but can't be sure that will happen. Joe and Jane have identified some options:

1. Rent out a room – Increase income $300/month
2. Cut back on eating out and entertainment – Save $100/month
3. Reduce clothing allowance and gifts– Save $150/month
4. Cut back on cell phone plan – Save $100/month
5. Lower grocery budget by smart shopping – save $100/month

Let's say that Joe and Jane really don't want a roommate. They can cross that option off their list and then choose from the other four options. It's important to give yourself choices, even if some ideas may be things you don't want to do but will, if absolutely necessary. By looking at all the options, you can better identify which would work best for you now and still have others to fall back on later if needed.

Let's try it:

AREAS WE COULD LOWER EXPENSES:	HOW WOULD WE DO IT?	HOW MUCH WOULD WE SAVE EVERY MONTH?
Eating out		
Entertainment		
Gifts		
Clothing		
Cell phone		
Utilities		
Groceries		
Lunches		

AREAS WE COULD INCREASE INCOME:	HOW WOULD WE DO IT?	HOW MUCH WOULD WE MAKE EVERY MONTH?
Second job		
Roommate		

If you're feeling stuck, consider including your circle of friends and family. Having a brainstorming session with others who know you well can open your eyes to all kinds of options that you may not have thought of on your own.

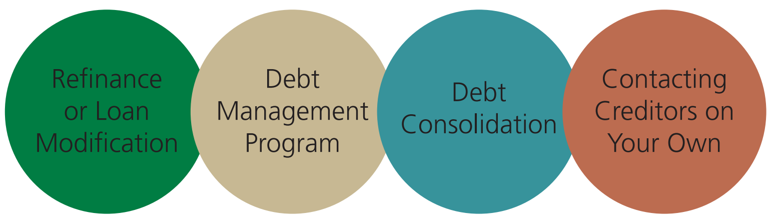
PRIORITIZING AND DEALING WITH DEBTS

In some cases, there just isn't a way to pay everything no matter how hard you work to increase income or decrease expenses. If this is the case, you'll need to be very careful where you put your resources.

Start by listing your debts in order of importance. Mortgage payments, vehicle payments and taxes are generally more important than credit cards. Here's an example of a prioritized debt list:

1. House payment
2. Vehicle payment(s)
3. Taxes
4. Support payments
5. Student loans
6. Other debts like credit cards, personal loans, loans from family/friends

Some options for dealing with debts include:



REFINANCE OR LOAN MODIFICATION

Some lenders may allow you to refinance your loan to lower the monthly payment. Others may consider modifying your existing loan by changing the terms (interest rate and length) of the loan. Be sure that you fully understand the changes to your loan before you sign. Keep in mind that even though your monthly payment is lower the payments may be stretched out over a longer period which will mean that you'll end up paying more over the life of the loan.

DEBT MANAGEMENT PROGRAM

A Debt Management Program sets up a payment schedule for you to repay your debts over a specified period - generally 3-5 years. You may also receive a reduction or waiver in interest rates and late fees, which will greatly help accelerate the payoff of your balances. Credit counselors also provide assistance with establishing a realistic budget as well as other financial education. Reputable counseling agencies can be found at *www.NFCC.org* and/or *AICCA.org*.

DEBT CONSOLIDATION

Technically, consolidating debt is merely combining a bunch of debt payments into one payment. However, this is a concept often associated with loan companies. For example, they may loan you money to pay all of your creditors, and then you'll repay the debt consolidation loan company in one monthly payment. For some people, this is more manageable because they don't have to remember to pay several creditors, but they only need to pay one creditor. If a person is getting late fees from several credit card companies, this is also a helpful option because they will (hopefully) be current on the debt consolidation loan and avoid the many late fees they were previously being charged.

CONTACTING CREDITORS ON YOUR OWN

You may want to contact your creditors, such as credit card companies, to tell them about your situation. They may be willing to help you by making payment arrangements or lowering your fees through internal assistance programs that they may offer. Some lenders may change your due date to later in the month or even allow you to skip payments for a month or two (called forbearance). Be sure to take good notes, including the date and who you spoke with, and ask to get all details in writing. Be sure to ask about any potential impact on your credit score.

COLLECTION PRACTICES

When bills become delinquent, creditors will start calling. The Fair Debt Collection Practices Act establishes rules to be followed by creditors when attempting to collect on debts and was meant to protect debtors rights. These rules include:

- Prohibiting debt collectors from using abusive, deceptive and unfair collection practices
- Establishing procedures debt collectors must use in contacting the debtor/credit user
- Establishing how a payment must be applied

If you feel that your rights have been violated, you can file a complaint with the Consumer Financial Protection Bureau at *www.CFPB.gov*. More information about your rights can be found at *www.Consumer.FTC.gov*.

ACTION PLAN – MAKING A PLAN

- ❑ Prioritize bills into wants and needs
- ❑ Create list of options
- ❑ Lower costs as needed
- ❑ Prioritize debts
- ❑ File a complaint if creditors violate your rights
- ❑ Research and choose the best ways to deal with your debt
  - Refinance
  - Loan Modification
  - Debt Management Program
  - Debt Consolidation Loan
  - Contact creditors directly

Congratulations! You've done a lot of work and now have a plan of action to manage this transition and its financial challenges more successfully and with less stress.

36500 Corporate Drive
Farmington Hills, MI 48331

GreenPath
financial wellness