Many people face a financial crisis some time in their lives, and it can seem overwhelming. Your financial situation doesn’t have to go from bad to worse. Often, it can be overcome.
How Resilient Are You?

Being resilient is having the ability to function well despite experiencing highly stressful times or to cope with both negative and positive life events. Check the box if you can say “YES I’m already doing that”. If not, write a “G” on the line and these will become GOALS for your financial fitness plan.

Financial Resources

❑  1. I have an “emergency” fund of at least three months expenses set aside in a liquid account such as passbook savings or a money market mutual fund.

❑  2. I have a low-interest home equity line of credit (or other low-cost source of funds) established that can be tapped in the event of an emergency.

❑  3. My monthly consumer debt-to-income ratio (total of monthly consumer debt payments, divided by monthly take-home pay) is less than 15%.

❑  4. I have a long-term disability insurance policy that will replace at least half of my income if I am unable to work due to accident or illness.

❑  5. I am covered by a health insurance policy with a high ($1 million or an unlimited amount) per person limit for major medical expenses.

❑  6. I keep my job skills current through formal education or on-the-job training.

❑  7. I spend less than I earn, and regularly make deposits into saving or investment accounts.

❑  8. I am the beneficiary of a life insurance policy owned by another person (e.g., spouse) and/or I own a life insurance policy that protects my dependents.

❑  9. I have recommended estate planning documents such as a will, living will, and durable power of attorney.

❑  10. I have a tax-deferred retirement savings plan like a 401(k) or 403(b) or IRA, to which I make regular deposits, and from which I could borrow or withdraw money if I had to.

Social & Community Resources

❑  11. I have at least 5 close friends or family members that I could call to help me in the event of an emergency or a crisis.

❑  12. I am aware of government and non-profit agencies in my community that could assist me if I was in need.

❑  13. I have regular physical exams by my doctor and health screening tests at recommended intervals.

Personal Resources

❑  14. I am able to easily search for needed information on the Internet or at the public library.

❑  15. I would describe myself as a “positive” (optimistic) person and often say “it could have been a lot worse” when bad things happen.

❑  16. I would describe myself as an “organized” person who can juggle many tasks and stay on top of everything. My health and financial records are well organized and I can find specific pieces of information easily.

❑  17. When I make up my mind to do something, I somehow figure out a way to get it done.

❑  18. I would describe myself as being “in good health” with good nutrition, adequate exercise and sleep, and no major health problems.

❑  19. I have good stress management skills and an ability to handle unexpected events.
What to Toss and When

Because the IRS has about six years to assess additional tax if you underreported your income by more than 25 percent, many tax advisors recommend holding all tax records for about seven years, building in extra time for any unforeseen delays in processing your return. The tax period is unlimited if the IRS suspects fraud.

**Credit card and bank account statements:**
Save those with no tax significance for about a year, those with tax significance for seven years.

**Canceled checks:** Those unrelated to anything you claimed on your income tax form and not needed to show you’ve paid a bill or debt probably can be destroyed after you’ve verified that your bank statement is correct. Canceled checks that support your tax returns, such as charitable contributions or tax payments, probably should be held for seven years.

Keep indefinitely any canceled checks and related receipts or documents for a home purchase or sale, renovations or other improvements to a property you own. But once a home has been sold and another seven years have passed, checks related to renovations or improvements can be destroyed. Banks that do not return original checks to customers are required to keep copies of checks for seven years.

**Deposit, ATM, credit card and debit card receipts:** Save them until the transaction appears on your statement and you’ve verified that the information is accurate. You may make an exception for receipts for expensive items. If they are under warranty or you have to file an insurance claim, the receipt may be helpful.

**Shred** any documents that contain a Social Security number, bank account numbers, etc.

If you keep records electronically, be sure to **back up your data**.

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Good Ways to Get Started

**Cutting Back**

Think about creating a **spending plan**, commonly known as a budget. Make a list of your monthly expenses divided into two groups — your “**needs**” and your “**wants**.”

The **needs** are expenses that are absolutely necessary, such as your housing, utilities, clothes, food and transportation.

The **wants** are optional purchases.

**Where can I cut back?**

*Check the suggestions that you and/or your family can do:*

- Restaurant meals, monthly subscriptions and premium TV channels.
- Try carpooling. If you have multiple cars, try to live without one of them.
- Buy generic brands of clothing and prescriptions.
- Buy used instead of new.
- Take better care of items to last longer.
- Bring your lunch to work, not eating out.
- Use your own bank’s ATMs for cash withdrawals to save paying a surcharge.
- Keep close tabs on your checking account balance to avoid bounced checks.
- Ask your credit card lender to consider lowering your interest rate, particularly if you have a relatively good payment history.
- Pay credit cards on time and as much as you can, to avoid late fees and pay less interest.
- Mortgage: see if you can save money by refinancing to get a lower interest rate and a lower monthly payment, after also weighing the up-front costs of refinancing.

“**66 Ways to Save**” - [http://www.66ways.org](http://www.66ways.org)
Deciding Which Bills to Pay First

When you do not have enough money to cover your family’s basic living expenses and pay all your creditors, you face some difficult financial decisions.

When family income is reduced, your spending habits must change. The sooner you change, the more likely your financial problems can be lessened. After you have a plan, you will have to contact the people to whom you owe money - your creditors - and explain your situation. Creditors will usually work with you to adjust your payments because they want their money.

Gather The Facts
Before you can talk to your creditors, you need to take a hard look at your situation and make some decisions about how much and when you can pay.

Make a copy of your budget to review:
❑ How much income can you count on each month? _____________________________
❑ How much money is needed to cover your family’s essential monthly living expenses? _____________________________
❑ How many creditors do you owe and what is the total amount you owe? _____________________________
❑ How long is your present financial situation likely to last? _____________________________
❑ What assets (savings or items that could be sold) do you have that could be used to pay off your debt? _____________________________
❑ What debts are the most important to repay first? _____________________________
❑ What debts could be satisfied by giving back the item? _____________________________
❑ Other ideas? _____________________________

Making Your List

You are legally obligated to pay all of your creditors. Prioritize your list starting with the ones who will receive the most money.

❑ What will affect my family’s health and security the most? Usually the house, utilities, food, transportation, and medical insurance take priority. If anyone in your family becomes ill, uninsured medical costs could be devastating.

❑ What will you lose if the bills are not paid? You can lose your purchases if the creditor holds the title of the property as collateral or security for the loan (home mortgage or car loan). Sometimes furniture and large appliance loans are secured loans. Unsecured debts may have to take lower priority, although you are obligated to pay them too.

❑ What interest rate are you paying? You may decide to pay off a higher interest credit card balance first, to reduce the amount of finance charges you are paying. Destroying your credit cards and closing your accounts may be a good idea, or at least put credit cards away in a safe place so you are not tempted to use them.

PowerPay is a computer program that can help you decide which debt repayment plan will save you the most money in interest charges. It is available online at https://powerpay.org

❑ What about your credit record? Contacting all of your creditors immediately if you cannot pay your bills is important. If you can pay something on each debt, it is less likely that your financial problems will be reported on your credit record.

❑ How much do you still owe on the loan? If you have only one or two payments to make on a loan, it is probably a good idea to finish paying it, getting that debt out of the way. You may be able to return newer items or sell them to pay off the debt.
Contacting Your Creditors

Once you have gathered the information you need, contact each creditor, explain your family’s situation, and work out a solution.

Be prepared to explain the following:

- the reason you cannot pay
- your current income and prospects for future income
- other obligations
- your plans to bring this debt up-to-date and keep it current, including the amount you will be able to pay each month.

Visit local creditors in person. Contact out-of-town creditors by phone or letter. If you phone, write down the name and title of the person to whom you talked. Follow the conversation with a letter summarizing the agreement between you and the creditor. Keep copies of your correspondence as well as any reply.

Here is a list of some alternatives to consider when negotiating with your creditors:

- Reducing the interest rate
- Reducing the monthly payment
- Refinancing the loan
- Deferring a payment for a short time if you expect your income will increase soon
- Reducing or dropping late charges
- Paying only interest on the loan until you can resume making monthly payments
- Voluntarily surrendering or giving back an item purchased on credit
- Selling the item and using the cash to satisfy, or partially satisfy, the debt (you are still responsible for any remaining balance).

Not all creditors will be willing to accept alternatives. However, they will be more likely to work with your family if you contact them before they contact you. They all want their money and would rather get some money on a regular basis than have to begin collection procedures.

If you fail to follow the plan that you and your creditors agreed upon, you will hurt your chances of getting future credit. Tell your creditors about any changes that may affect your payment agreement. If you owe a large amount of money and your creditors will not accept reduced payments, you may have to consider more extreme alternatives.

There is help out there

One source of assistance with credit and money management problems is CredAbility providing counseling and education 24/7, in both English and Spanish, online, by telephone, and in-person. Call 800.251.2227 or visit http://www.CredAbility.org

A counselor will review your application. The counselor is qualified to prepare a budget plan that will be given to you and your creditors for approval. The budget plan will outline exactly how each debt will be repaid. The plan usually is all that is required unless there is an emergency or a change in your financial situation. You can return to the counseling service at any time for further advice.

The counseling service is free. However, when the service prepares a debt repayment plan for you, a nominal fee may be charged to help with administrative costs. Local businesses pay the counseling service a fee for collecting the debts clients owe them.

CredAbility can help you with:

- Budget and Credit Counseling
- Debt Management Plan
- Foreclosure Prevention
- Housing Pre-Purchase
- Reverse Mortgage
- Bankruptcy Debtor Education
- Bankruptcy Pre-filing Counseling
Money Problems

Money is not only dollars and cents, it is also a symbol of personal attitudes toward life. In a marriage, the first essential steps are to acquire financial attitudes that will harmonize with what you and your spouse want out of life, and help you learn how to face problems and arrive at working solutions.

Emotions and Money Problems

Many families do not talk about money management until they have problems. An already shaky family relationship can get worse under the impact of money problems and heavy debts. Soon after marriage, a couple may incur big debts because of too many purchases or commitments. Then they might be faced with a medical emergency, a cut in pay or unemployment. Up until the emergency occurred, the problem may not have been serious. However, as creditors press for payments and the budget tightens, quarrels begin.

Credit is useful if its potential role in family financing is understood and the credit is handled with its costs in mind. Unfortunately, problems arise because “easy credit” is not easily rejected by people. A specific spending plan will help individuals and families who want to solve their money problems.

Attitudes About Money

People have different attitudes about money, often developed early in life. A husband and wife may have conflicting attitudes toward the importance and use of money. X wants the latest of everything, and believes that money is to be spent. When the money does not come along fast enough, X buys on credit. Y does not care about material things and thinks money is to be saved and invested. Y likes to have a substantial bank account, investments and insurance. Y’s pleasure comes from watching the bank account and savings grow.

Conflict is inevitable between these two people. X thinks Y is stingy. Y knows X is a spendthrift and is taking them right down the road to the poor house. Can this couple change their attitudes toward money? Or will their life together be made up of constant tension, worry, fear, ill feelings, arguments and bitterness?

Values Influence Choices

Good family relationships and economic security are greatly dependent upon values and attitudes toward money. It is not how much money you have, but what you do with it and how you feel about it.

Aid for Families in Distress

While most people strive to be self-supporting, they may find it impossible to manage at times. For those in financial distress who have no legally-responsible relatives able to assist them, a number of assistance programs have been established. These include state/federal programs such as Aid to the Blind and Disabled, Aid to Dependent Children, and Supplemental Security Income. Local agencies provide supplementary assistance. State and local institutions are available for the care of the indigent elderly, the orphaned and certain disabled persons.

Clinical care and assistance are available to deal with certain illnesses. These include the American Heart Association, The American Cancer Society, National Lung Association, and others. The Red Cross, the Salvation Army, churches and other organizations also provide assistance. Families and individuals lacking funds for their support may apply to the appropriate organizations. Families who need legal assistance, but cannot afford it, can contact the local Legal Aid Society.

The Social Security programs, which do not require proof of destitution, have helped many families without having to seek public assistance. Such programs include Survivors and Disability Insurance and Medicare.
Spring into Action by Setting Goals

Goals provide incentives for good management. One reason many people fail financially is because they have no long-term goals for which to strive. As a result, their lives and their income are frittered away.

Make your goals definite and attainable. Clearly-defined goals not only encourage the wise use of family resources, but also stimulate the cooperation of those who set the goals. Goal-setting is a continual process, and new goals should be formulated as situations change.

List some goals to get you started

Some suggestions and your ideas too:
- Finish remodeling our home.
- Save to help pay for the children’s future education.
- Maintain a checking balance of at least $300.
- Open a savings account for monthly savings for an emergency.
- Agree on a realistic spending plan.
- Work on money management together.
- Adjust spending plan as circumstances change.

The fact that you know what you want on a long-term basis, and what you need to do to see your dreams come true, gives you a basis for making decisions and setting short-term goals.

Needs and Wants

Basic physical needs are shelter, clothing and food. Wants are desires for more than the basics in life.

Review your goals often. Goals differ from one stage in the family life cycle to another, and from one individual to another.

Family Activity 1.

If you received $1,000 as a gift, what would you do with it? Write responses from the Wife and Husband.

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Family Activity 2.

To set up your goals for spending, list those things you need and want most. Be as specific as possible. Estimate the cost of each item. Check the “W” if the goal is the wife’s, “H” for the husband’s, and “B” if it is a goal for both husband and wife.

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Is a consolidation loan a good idea?
Personal finance companies want you to think so, but generally a consolidation loan charges a higher interest rate. In addition, refinancing to smaller monthly payments will extend the number of payments you must make, adding to the total cost. While a single loan may make payment easier, that is a small benefit considering the additional costs involved.

Credits:
This booklet was designed by Chris Kilbride, University of Florida - Martin County Cooperative Extension Service for the Martin County Library System’s Smart investing@your library® Series. For details about Smart investing @ your library®, visit http://www.smartinvesting.ala.org
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We would like to acknowledge the original educational outreach material:
- Personal Resiliency Assessment Quiz - http://njaes.rutgers.edu/money/resiliency/
- Money Problems - http://edis.ifas.ufl.edu/he155

Resources:
http://www.ftc.gov/bcp/menus/consumer/credit/debt.shtm
http://www.mymoney.gov/category/topics/managing-debt-and-credit.html
http://www.ftc.gov/bcp/menus/consumer/credit.shtm

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