

## Consumer and Family Sciences

Department of Consumer Sciences &amp; Retailing



## When Your Income Drops: Fact Sheet 3

## Take Stock of Family Resources

*If your income has dropped suddenly, chances are you and your family are experiencing a high degree of anxiety, worrying about where you will find the money to pay necessary bills and obligations. In most cases, uncertainty and avoidance increase the stress associated with income loss. You need to know where you are financially so you can adjust your spending to fit your present situation. Once you know the figures and see them in black and white, you can develop a plan to make the most of the resources you have.*

*The publications in this series were adapted by Purdue Extension specialists based on subject matter from a publication by Carol S. Kramer, Extension specialist, consumer economics, Kansas State University, Manhattan, Kansas.*

Try these two steps to help you better understand your current situation and explore the resources that can help you and your family successfully meet the current financial challenge.

1. Construct a net worth statement.
2. List family members' talents and skills that might be used to produce income, save money, or be traded for needed goods and services.

Good financial management begins with taking stock, which in this case means determining your family's current financial position or net worth. A net worth statement is a financial balance sheet. It's 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 will be useful in making decisions about how best to manage them. Also, lending institutions usually require a net worth statement before issuing or renegotiating a loan, so it is wise to take the time to do this before you talk to bankers or creditors.

### Assembling asset values

Use Worksheet 1, "Net Worth Statement," to determine your net worth. The asset column is divided into liquid assets, marketable assets, nonmarketable assets, and personal assets. Liquid assets are those things that either are or can be easily converted to cash — the balances in checking, savings, and money market accounts and certificates of deposit (CDs). Keep in mind that cashing in CDs before they mature may result in an interest penalty.

**Marketable investments** are those that can be cashed in or sold for their current market value — stocks, bonds, mutual funds, and the like. **Nonmarketable investments** are assets that cannot be sold or are more difficult to turn into cash. For example, withdrawing money from your retirement plan, pension, or Individual Retirement Account (IRA) before age 59½ usually involves a substantial penalty.

**Personal assets** are real estate and personal property that can be sold but usually not as quickly as stocks and bonds. Assets such as cars, furniture, and appliances usually depreciate in value; they are worth less now than when

you bought them, even if they are still in good condition.

To calculate your assets, write down the current amount of cash in your savings, checking, and money market accounts. Use the most recent statement to find account balances and current CD values. If you have government savings bonds, you can find their current value at [www.treasurydirect.gov](http://www.treasurydirect.gov). The cash surrender value of your whole life insurance policies is available by checking your policy or calling your agent. If you own stocks, bonds, or mutual funds, check online to find their value, or check a newspaper

that publishes the stock market information daily. They are available in most public libraries. Use the current value of your house or other real estate — not what you paid for it. Check with a real estate appraiser. Check a used vehicle guide (Blue Book) through your local library or insurance agent for the value of your cars and trucks. If you have access to the Internet, you can check the price of used vehicles at [www.edmunds.com](http://www.edmunds.com) or [www.carprice.com](http://www.carprice.com).

To find the value of a boat, camper, snowmobile, or other recreational vehicle, talk to a dealer who sells used recreational vehicles. Make a

## Worksheet 1 — 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 \_\_\_\_\_

**Marketable Investments**

Stocks \_\_\_\_\_  
 Mutual funds \_\_\_\_\_  
 Savings bonds \_\_\_\_\_  
 Other bonds \_\_\_\_\_

**Nonmarketable Investments**

Individual Retirement Accounts (IRAs) \_\_\_\_\_  
 Pensions (current value) \_\_\_\_\_  
 Amount others owe you \_\_\_\_\_  
 Other \_\_\_\_\_

**Personal Assets**

Market value of house \_\_\_\_\_  
 Other real estate \_\_\_\_\_  
 Value of vehicles \_\_\_\_\_  
 Value of boats, RVs \_\_\_\_\_  
 Furniture and appliances \_\_\_\_\_

**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**

\_\_\_\_\_ – \_\_\_\_\_ = \_\_\_\_\_

conservative estimate of the value of your household items and personal property and collectibles, recording what you could get if you sold everything today. List the current value of your pensions, IRAs, or other retirement plan using the amount you would get if you were able to cash them in today. Don't forget to add in money that others may owe you, if you realistically expect to collect it.

By totaling together the family's liquid assets, marketable investments, nonmarketable investments, and personal assets, you have completed the asset side of the net worth statement. Now you know what your family owns.

### Calculating liabilities

After you've completed the assets column, it's time to list your liabilities. Make a listing of all debts, such as the balance on your home mortgage, car loan, and other personal loans. The balance of the mortgage loan may be on your monthly statement. If not, ask the lender for the outstanding amount. Record the balances due on all credit cards, charge accounts, installment accounts, loans against insurance policies, taxes owed, notes payable, and other loans. Be sure to list the total balance due, not just the monthly amount. List any current unpaid bills, including what you owe the dentist, this month's utilities, telephone charges, and so forth.

After you have totaled both your assets and your liabilities, you are ready to subtract total liabilities from total assets. What's left is your net worth. This is a picture of the financial assets that would remain if you disposed of all your current belongings and settled all your financial obligations today.

### Questions to ask yourself

After you've had a chance to look at what you have written down, here are some questions you might ask yourself:

Where are most of your assets? Are they mostly in one item, such as your house or vehicle? How much of your assets are liquid, or easily turned 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 them to pay current living expenses?

What marketable investments 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 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?

### 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. Otherwise, you leave nothing for emergencies such as unanticipated car and home repairs or medical bills. Setting spending priorities and decreasing expenses are essential steps in making the most of your assets.

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 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. Visit resale shops and garage sales in the area to find the going price for similar items.

**Finding a buyer.** You can't 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. There are many online sites that bring together buyers and sellers. Community bulletin boards in supermarkets, shopping malls and coin-operated laundries 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 local shopper publications.

## Worksheet 2 — Family Resources

Resource	(Examples)	Resource Family Members Can Contribute	Which Family Members
Skills	Sewing, baking, carpentry		
Abilities, interests	Gardening		
Job training or certification	Car repair, child care certification		
Attitudes	Willingness to accept change		
Self-confidence	Willingness to try new things		
Creativity	New ideas, artistry		
Time			
Energy			

### Nonfinancial resources

After you have surveyed your financial resources, make a list of your family’s nonfinancial resources that can be used to cut costs, traded for needed goods and services, or used to produce income. 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 Worksheet 2 above, “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 and in the future.

## References

Crawford, C., & Smith, L.E. (1994). Getting through tough times: Making the most of what you have. Illinois Cooperative Extension, Urbana-Champaign.

Maddux, E. (n.d.) Living on a reduced income: Taking stock of family income and outgo. University of Georgia College of Agriculture, Cooperative Extension Service, Athens.

## The publications in this series

- 1) Don't Panic – Take Control (CFS-704-1-W)  
[www.ces.purdue.edu/extmedia/CFS/CFS-704-1-W.pdf](http://www.ces.purdue.edu/extmedia/CFS/CFS-704-1-W.pdf)
- 2) Control Stress (CFS-704-2-W)  
[www.ces.purdue.edu/extmedia/CFS/CFS-704-2-W.pdf](http://www.ces.purdue.edu/extmedia/CFS/CFS-704-2-W.pdf)
- 3) Take Stock of Family Resources (CFS-704-3-W) [www.ces.purdue.edu/extmedia/CFS/CFS-704-3-W.pdf](http://www.ces.purdue.edu/extmedia/CFS/CFS-704-3-W.pdf)
- 4) Take Stock of Community Resources (CFS-704-4-W) [www.ces.purdue.edu/extmedia/CFS/CFS-704-4-W.pdf](http://www.ces.purdue.edu/extmedia/CFS/CFS-704-4-W.pdf)
- 5) Set Priorities for Spending (CFS-704-5-W)  
[www.ces.purdue.edu/extmedia/CFS/CFS-704-5-W.pdf](http://www.ces.purdue.edu/extmedia/CFS/CFS-704-5-W.pdf)
- 6) Plan to Pay Creditors and Protect Family Welfare (CFS-704-6-W) [www.ces.purdue.edu/extmedia/CFS/CFS-704-6-W.pdf](http://www.ces.purdue.edu/extmedia/CFS/CFS-704-6-W.pdf)
- 7) Keep a Roof Overhead (CFS-704-7-W)  
[www.ces.purdue.edu/extmedia/CFS/CFS-704-7-W.pdf](http://www.ces.purdue.edu/extmedia/CFS/CFS-704-7-W.pdf)
- 8) Meeting Insurance Needs (CFS-704-8-W)  
[www.ces.purdue.edu/extmedia/CFS/CFS-704-8-W.pdf](http://www.ces.purdue.edu/extmedia/CFS/CFS-704-8-W.pdf)
- 9) Sharpen Your Survival Skills (CFS-704-9-W)  
[www.ces.purdue.edu/extmedia/CFS/CFS-704-9-W.pdf](http://www.ces.purdue.edu/extmedia/CFS/CFS-704-9-W.pdf)