

MICHIGAN ENERGY ASSISTANCE PROGRAM

MONEY MANAGEMENT WORKBOOK

Life is a challenge. As the saying goes, just when you're about to make ends meet, someone moves the ends. While it can be a struggle to pay bills, make the rent payment and provide food and clothes for the family, we keep on doing our best.

Ultimately, the life we want—a better place to live, enough money to pay our bills, and fewer concerns about finances—is possible if we keep focused on our goals.

Managing money may seem like a distant dream. It's something we want to do someday... when we have more money—and more time. But we all need to manage our money so we can reach the goals and dreams we've set for ourselves.



While the idea of money management may seem difficult, it's really not. It's simply one more skill to be learned, just like we learned to write, read, or perhaps drive a car. Believe it or not, no one is born with the skills to be a good money manager, but everyone can learn them.

We often live day to day, allowing the demands of the present to swallow up our money and time. We watch the money—usually not enough—come in, and we watch it go out. We often feel we don't have any control over it, so why should we worry about trying to manage it?

Because managing your money can help reduce the stress in your life. It can help give you a plan to take care of unexpected events and expenses.

Most importantly, managing your money can help you meet the goals you've set and create the life you deserve.

My Goals that I want to accomplish are:

<i>Was it accomplished?</i>	<i>with-in:</i>	Short-term (next 6 months)	Mid-term (next year)	Long-term (1 year or more)
___1)	_____	_____	_____	_____
___2)	_____	_____	_____	_____
___3)	_____	_____	_____	_____
___4)	_____	_____	_____	_____

Spending Plan Worksheets (four steps)

Step 1: Identifying Income

Sources	Expected per month	Actual per month
After-tax wages	\$ _____	\$ _____
After-tax wages from others in household	\$ _____	\$ _____
Tips or bonuses	\$ _____	\$ _____
Child support	\$ _____	\$ _____
Alimony	\$ _____	\$ _____
Public assistance	\$ _____	\$ _____
Food assistance	\$ _____	\$ _____
Social Security or SSI	\$ _____	\$ _____
Interest on a savings account	\$ _____	\$ _____
Tax refunds	\$ _____	\$ _____
Other	\$ _____	\$ _____
Other	\$ _____	\$ _____
Total Monthly Income	\$ _____	\$ _____

Step 2: Listing Expenses

Sources	Expected per month	Actual per month
Rent or house payment	\$	\$
Utilities (heat, electricity, water)	\$	\$
Telephone and / or cell phone / long distance charges (i.e. phone cards)	\$	\$
Groceries	\$	\$
Transportation (car payment, gasoline, bus fare, parking fees, and so on)	\$	\$
Tuition or other education fees	\$	\$
Insurance (car, health)	\$	\$
Child care	\$	\$
Child support	\$	\$
Alimony	\$	\$
Snacks / Meals Eaten Out	\$	\$
Clothes	\$	\$
Charitable donations	\$	\$
Credit cards and other loans	\$	\$
Personal (toiletries, etc.)	\$	\$
Entertainment (movies, sports, gambling)	\$	\$
Cable / Satellite	\$	\$
Other	\$	\$
Total Monthly Expenses	\$	\$

Step 3: Comparing Income and Expenses

Your total monthly income	\$
Your total monthly expenses	\$
Subtract expenses from income and list amount here	\$

Step 4: Setting Priorities and Making Changes

Was there money left over at the end of the month? Congratulations! If you treat it wisely (like putting it into a savings account), you will be well on your way to reaching your goals.

But, maybe, you spent more than you earned. Then what? First, look carefully at how you spent the money. Too often our money takes a detour from our goals and we have to take steps to get back on track.

Getting back on track usually means two things: cutting back expenses or increasing income (or both). Now that you know your expenses, it will be easier to cut them. Remember, if you don't spend it, you don't have to earn it.

Increasing Income –

Might be an option for you and your family members to consider. Some ideas include:

- taking a second job
- having other family members work and contribute to the household income
- turning a hobby into extra income selling unwanted items (at a garage sale, for example)

Spending Leaks –

Spending leaks are those other expenses that you never really think about. Once you keep track of these items you'd be amazed at what you are spending. For instance, that bottle of pop you buy at the convenience store is only \$1.09 but do that 12 times in a month and that's 12 dollars. Now think about it...would you spend \$12.00 on a twelve pack of pop at the grocery store? NO! You'd think the store was nuts to even think to charge that amount.

Item	Cost of item	Cost per month
Cigarettes		
Add-on phone services, such as call waiting		
Alcohol		
Check-cashing stores		
Drinks out with friends		
Snacks and pop /convenience store purchases and vending machines		
Entertainment (movies, sporting events, gambling)		
Magazines		
Other		
Total Spending Leaks		

My ideas for cutting back on my spending: Was this accomplished?

My ideas for increasing my income: Was this accomplished?

Now with these changes, compare Income and Expenses again and see how it comes out:

Your total monthly income “plus” the new additional income	\$
Your total monthly expenses “less” the new closed spending leaks	\$
Subtract expenses from income and list amount here	\$

If you really make these changes, and continue with the new spending plan, you should have more money available to you each month.

How Much Debt Should I Have?

Debt often becomes such a normal part of life that we may not realize we have too much—until it starts consuming us and robbing us of the life we want to live.

Remember, being in debt for the big-ticket items in life—such as a house or an education—has some payoffs. It's the consumer debt—the credit cards, department store cards, and so on—that we want to try to cut down.

In general, no more than 15 percent to 20 percent of your net (after-tax) income should be used to pay consumer debt. That may seem like a high percentage of your take-home pay, but remember that you must also factor in the cost of the debt itself. Those high interest rates must be paid sometime!

Here's how you can figure out how much money you can afford to pay each month for consumer debt.

1. Take your annual income, after taxes and deduction: **example: \$16,640**

\$ _____ (a)

2. Calculate your monthly income by dividing the annual income by 12.

example: \$16,640 divided by 12 = \$1,387

(a) _____ / 12 = _____ (b)

3. Calculate the monthly amount of consumer debt you can afford

example: \$1,387 X .15 (or 15%) = \$208 (b) _____ x .15 = _____ (C)

or
example: \$1,387 X .20 (or 20%) = \$277 (b) _____ x .20 = _____ (C)

So, if you bring home \$16,640 per year after taxes, applying 15 percent to 20 percent of it toward consumer debt translates into a monthly total of between \$208 and \$277.

My total debt that I can afford is \$ _____ (c)

Remember: this covers only consumer debt and **does not apply** to payments on long-term loans such as a mortgage or utilities.

The [Debt Recovery Worksheet](#) and [Listing of All Debts](#) can help you see how much debt you have and develop a plan for paying off the debt over time.

Listing of All Debts

Start with your smallest debt first:

Name of Debt	Today's Starting Balance	Minimum Monthly Payment	Extra Available Payment Amount	Debt Paid Off Date
Totals				

Total Balances \$ _____

Total Monthly Payments \$ _____

Extra Available Payment Amount \$ _____

Hint: You want to focus on paying of your smallest debt first regardless of the interest rates. This will allow you to see progress being made in reducing your debt. By seeing progress being made, you will be able to better keep on track to becoming debt free. Being debt free means that **YOU** get to choose how you spend your money, not the creditors.

Debt Recovery Worksheet

Make several copies of this worksheet—one for each company or credit card you owe money to. Then, list how much money you owe to each creditor and how much you will pay off each month.

Soon, if you make steady payments, you will see the amount you owe decrease. It will shrink even faster if you pay something extra whenever you can. Put your worksheets in order with the smallest debt first.

When you've paid off one debt, congratulations! Celebrate your progress, and then start using that money to pay off another debt.

Creditor: _____

Debt is for: _____

Interest rate	Amount owed	Monthly payment	Payment due date	Amount paid and date

Am I Too Far in Debt?

While many people find it difficult to have no debt, it is possible to manage smaller amounts of debt successfully. Remember: a limited amount of debt isn't necessarily bad—but excessive debt is.

At the least, excessive debt can keep you from reaching your goals as quickly as you'd like to achieve them. At its worst, excessive debt can rob you of your dreams and the life you really want—and deserve—to live.

The sense of hopelessness that often comes with excessive debt can affect your behavior and health, and it can strain the relationships you value most.

Here are 10 signs that you may have a debt problem. If more than a couple apply to you, you may need some help.

1. You spend more than 20 percent of your paycheck to pay off car loans, credit cards, or other types of consumer debt. See [How Much Debt Should I Have?](#) for help on calculating this.
2. You borrow money to pay off other debts.
3. You don't know how much money you really owe.
4. You only make the minimum payment on each bill.
5. You miss payments, or you pay your bills late every month.
6. Creditors (companies you owe money to) call you or come to your house trying to get you to make your payments.
7. Stores refuse to give you credit.
8. You borrow from retirement accounts or use credit cards to pay regular monthly bills.
9. You write post-dated checks—checks with a date later than the actual day you wrote the check. Or, you regularly [bounce checks](#).
10. You've taken an extra job just to keep up with paying the bills.

Six Steps for Getting Out of Debt

Step One

Find out where you are in debt. Do you owe many businesses or just one or two? Look closely at your credit card invoices and loan agreements. Are you being penalized for not paying the total amount? Find out what happens if you are late or miss a payment. If you're not sure, call your lender and ask.

Step Two

If you are in debt to just a few businesses, call them and try to negotiate smaller payments—at least for a while. Make this call before you miss a payment. It may be tough to do and embarrassing. Still, it's better than getting calls from creditors demanding payment.

Step Three

If you owe money to many businesses, it may be time for outside help. Consider working with a nonprofit debt counseling service. The [National Foundation for Credit Counseling](#) is one service you can contact. Its toll-free number is 1-800-388-2227. The organization can work with you and your creditors to set up a repayment plan.

Step Four

Take a hard look at your spending plan. Try to come up with new ways to cut expenses. Can you use the bus instead of driving? Can you take a brown-bag lunch to work? Are there community services you can use for low-cost food or clothing?

Step Five

Look for ways to increase your income. Maybe another family member can contribute financially. Or, you can work extra hours at your job. Have you considered a second, part-time job? If you can increase your income so it's more than expenses, you CAN get out of debt.

Step Six

As hard as it is, don't ignore bills and past-due notices. A poor credit record follows you for years. It can make it hard for you to buy a house, get a loan, and maybe even get a job.

Getting into debt is easy. Pulling yourself out can be harder; it takes time and commitment. But, taking steps to get out of debt is far less stressful than watching your debts grow. In time, you'll see that by having less debt you have greater choices. You will have more money to put into savings for the things that are really important: a good home in a safe neighborhood or a high-quality education.

How Can I Get Out of Debt?

It's never too late to start reclaiming your financial future. Even if you have serious problems with debt and you think you'll never be able to pay everything off, there's hope.

Start by taking small, positive steps. Paying off your debts won't happen overnight, but it will happen if you keep focused on the goal. Here are some steps you can take.

1. Don't wait to act. The problem won't improve if you ignore it.
2. Stop buying items using credit.
3. Create a get-out-of-debt plan. [The Debt Recovery Worksheet](#) can help you organize your plan.
4. Contact your creditors. Explain that you want to pay off your debts and ask if they can work with you and take smaller payments now. While some companies won't work with you, many probably will try to help.
5. Cut expenses. Strive to [live within your means](#). Identify a few things you can stop buying altogether or buy less often. Use the money you save to pay off creditors' bills.
6. Sell items you rarely use. And sell them yourself—don't use a pawnshop.
7. Honestly assess what you can pay and what you own. If you own a new car, for example, it may make more sense to sell the car and pay off the loan than face a possible repossession, which would harm your credit record.
8. Try to increase your income. Can you get second job—or work overtime—and apply the additional earnings to creditors' bills. Don't forget to consider the effect your absence while working could have on your family's well-being.
9. Pay off the loan with the highest interest rate first (not the highest balance).
10. When you've paid off one debt, redirect the payments to pay off another loan.
11. Consolidate your loans. Shift higher-interest loans to a single lower-rate loan.
12. Keep only one or two credit cards. Cut up the other cards and call the companies to cancel the accounts. Consider reducing the credit limit on your remaining cards.
13. To stop many credit card offers from arriving in your mail and tempting you to open a new account, call 1-888-5-OPT-OUT.
14. If you need more help cutting your debt, contact a nonprofit consumer credit counseling agency such as the Lutheran Social Services (1-888-577-2227). Groups such as this can help you restructure your debt payments so it's easier to pay them off.

Living Within Your Means

You've probably heard the phrase, "living within your means." But what does it really mean?

Simply put, if you're living within your means, you can pay for the things you need without getting trapped in more debt than you can handle.

However, many of us believe that the only way to have nice things is to go into debt to get them. While that may be true for some large purchases such as a house or car, it doesn't have to apply to the other things we need in life.

For example, when you buy a house, you take out a mortgage, and you may be in debt for as long as 30 years. That's a long time, but this type of debt comes with benefits. The interest you pay on the loan may be deducted from your taxable income, and the equity—or money you have in the home—may be used for future loans.

However, buying food, clothes, toys, furniture, and other items on credit is different. By doing this, you may be going into debt to buy nonessential things. Plus, the interest charged is not tax-deductible, so by the time you've paid for the item and all the interest, the cost is much higher than the original price.

Simply put, you're robbing yourself—and your future. Instead of funding your dreams and the life you deserve to live, your hard-earned money fills the lender's pockets. Wouldn't it be better if the money you pay in interest could go into a savings account to help you reach your goals? Paying for everyday items by going into debt limits your choices because you're constantly caught paying for yesterday instead of moving toward tomorrow.

It can be challenging at first, but try to live within your means. Even better, try to live *below* your means.