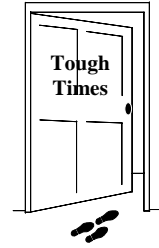


Getting Through Tough Times



Making the Most of What You Have

GTTT-9

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. Instead, look at your total financial picture and determine which assets you might use to meet family obligations.

Determining Your 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 it will be useful in making decisions about how best to manage them.

Use Worksheet 1, "Net Worth Statement," to determine your net worth. The asset column is divided into the following groups:

Liquid Assets — 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.

Marketable Assets — financial assets that can be cashed in or sold for their current market value. Prices will fluctuate with market conditions.

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

Non-Marketable Assets — assets that cannot be sold or are more difficult to turn into cash. Withdrawing money from your retirement plan, pension, or Individual Retirement Account (IRA) before age 59-1/2 usually involves a substantial penalty.

Calculate your assets:

- Write down the current amount of cash on hand. Use the most recent statements for checking, savings and money market account balances, and current certificate values.
- If you have government savings bonds, call a bank to find out the current value.
- Find out the cash surrender value of your whole life insurance policies by checking your policy or calling your agent.
- If you own stocks, bonds or mutual funds, check a newspaper that publishes the stock market information daily. They are available in most libraries.
- Use the current value of your house or other real estate — not what you paid for it. Your local tax assessment official can tell you its full-assessed value.
- Check a used vehicle guide (Blue Book) through your local library, insurance agent or banker for the value of your cars and trucks. You can also find True Market Value of your vehicles at <http://www.edmunds.com>.
- 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 of the value of household items and personal property, recording what you could get if you sold everything 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.
- Don't forget to add money others may owe you if you realistically expect to collect it.

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.
- 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 unpaid bills, including what you owe the dentist, this month's utilities, telephone charges, etc.

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.

Questions to Ask Yourself

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

- Where are most of your assets? Are they mostly in one item, your house or vehicle, for example?
- 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?
- How long will your savings last if you use them to pay current living expenses?
- What marketable assets 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?
- What financial assets do you have that you are not using?
- Are your assets greater than your liabilities?
- Are you able to meet your current monthly bills and expenses on your reduced income?

- 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 get out from under a 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 Worksheet 2, "Family Resources," on page 4 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*, another fact sheet in this series.

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 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 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.

Worksheet 2 — Family Resources

Resource	(Examples)	Resources family members can contribute	Which family members
Skills	Skill in sewing, baking, woodcarving		
Abilities or interest	Ability to plan Interest in gardening		
Job training or certification	Car repair Childcare certification		
Attitudes	Willingness to accept change; flexibility		
Self-confidence	Willingness to take risks; try new things		
Creativity	New ideas, artistry		
Awareness	Sensitivity to needs of others		
Time			
Energy			
Other			

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Getting Through Tough Times is a 17-part series for individuals and families experiencing personal and/or financial crisis. Visit www.extension.umn.edu/moneyeveryday for more information on this and other personal resource management materials and trainings.

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