

Families Taking Charge Taking Inventory

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Introduction

When your income drops suddenly, your first concern may be to pay your bills and meet your day-to-day expenses. Instead, looking at your total financial picture can help determine which assets you have that could be used to meet your obligations.

In most cases, uncertainty and financial neglect increase the stress associated with income loss. Take some time, then, to study your current financial and family resource situation.

Once you know the figures in black and white, you can develop a plan for making the most of family and community resources. A little knowledge goes much further than either imagining the worst or ignoring reality and neglecting bills.

Determining Your Net Worth

A key to accomplishing anything is beginning properly. Good financial management begins with determining your family's current financial position, or net worth.

A net worth statement is a financial balance sheet (see page 4). 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 make decisions about how best to manage them.

A statement of net worth provides an important picture of financial well-being, a "snapshot" of the family financial situation today.

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.

Taking this financial "snapshot" has a few additional advantages. Chances are, preparing a net worth statement will lead to a pleasant surprise: the financial picture may be rosier than you imagined. By comparing "snapshots" as years pass and events change, you will gain a picture of your progress from one year to the next in meeting your family's goals.

Assembling Records

Dig out information regarding company benefit plans, the current status of any accounts you might have such as pensions, annuities, profit-sharing plans, or stock options. Compile current records of balances in savings and checking accounts, on charge cards and store accounts.

Once these documents are located, you can begin the net worth statement. Be sure to add any items that are not already listed on this form. Remember, the objective is to determine your financial worth.

List Your Assets

- **Liquid Assets**-those things that either are or can be easily converted to cash. Keep in mind that cashing in certificates of deposit (CD's) 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 though 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.

Calculating 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 what they are currently worth.
- Find out the cash surrender value of your whole or cash value 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 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 city or town assessor can tell you its full assessed value.
- Check a used vehicle guide (Blue Book) for the value of your cars and trucks.
- 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, IRA's 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.

Calculating 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 assets from total liabilities. 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 many 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 liabilities much greater than your assets?
- 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?

Liquidating Your Assets

Using your savings is one way to supplement your income during periods of unemployment. Be cautious, however, about using savings for things that aren't 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 without finding someone willing to buy them. Think about ways you can inform prospective buyers of what you want to sell.

Community bulletin boards in supermarkets, shopping malls and laundromats are very popular for posting "For Sale" notices. Cards with small tear-off tabs list-

ing 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.

Other Resources

Make a list of your family's non-financial resources. These can be used to cut costs, barter for needed goods and services, or produce income.

Most family members can probably contribute in some manner to running the household more economically. Perhaps a teenager can do odd jobs outside the home. Perhaps the skill or hobby of a family member can now produce income.

Another source of income may come from belongings that you could sell. Maybe a parking space or a room in the home can be rented to help with expenses. Be imaginative in assessing all of your resources and in deciding how they can be used best in difficult economic times.

References

- Kansas State University, Extension Service. "When Income Drops." 1983.
- Lank, Avrum. "Personal Balance Sheet Makes Sense." Milwaukee Journal. December 11, 1986.
- Texas Agricultural Extension Service. "Coping with Unemployment." 1988.
- University of Minnesota. "Getting in Control of Your Finances." 1984.

Networth Statement

Amount

ASSETS	
Liquid	
Cash on hand	\$ _____
Cash in checking account	\$ _____
Savings accounts	\$ _____
Cash value of insurance	\$ _____
Cash in money market funds	\$ _____
Marketable investments	
Stocks	\$ _____
Bonds	\$ _____
Mutual funds	\$ _____
Collections	\$ _____
Non-marketable investments	
Tax shelters	\$ _____
Equity in pension plans	\$ _____
Stock options	\$ _____
Notes receivable	\$ _____
Other personal assets	
Real estate (cash value of home, land, rental property)	\$ _____
Furnishings, household equipment	\$ _____
Vehicles	\$ _____
Clothing	\$ _____
Jewelry	\$ _____
TOTAL ASSETS	\$ _____

LIST YOUR LIABILITIES	
Mortgage debt	\$ _____
Car loans (other vehicles)	\$ _____
Installment debts	\$ _____
Charge accounts and credit cards	\$ _____
Loans against insurance policies	\$ _____
Margin loans	\$ _____
Taxes owed	\$ _____
Notes payable	\$ _____
Other outstanding balances	\$ _____
TOTAL LIABILITIES	\$ _____

NET WORTH	
Assets (what you own)	\$ _____
<i>minus</i> Liabilities (what you owe)	\$ _____
NET WORTH TOTAL	\$ _____