

FINANCIAL RECOVERY



WHAT DID WE LEARN?

IF YOU EXPERIENCE A DROP IN INCOME, TAKE CONTROL!

Study your financial situation and ask:



Does my reduced income cover all my expenses?



What assets do I have?



What debt obligations do I have?



What skills and resources do I have?

CAN YOU MAKE IT ON A REDUCED INCOME?

- Create a monthly cash flow worksheet
- Prioritize your bills: housing, utilities and food are critical
- Track spending: figure out where you can cut back
- Contact creditors before they contact you
- Look into renegotiating your mortgage payments
- Avoid new debt — don't try to stretch your income by using credit

INCREASING INCOME

- Make a list of all assets and their value
- Make a list of skills, talents and hobbies that could generate money
- Look for ways to reduce paycheck deductions
- Look into government programs and assistance

CUT BACK AND ECONOMIZE

- Food: Plan meals and shopping; avoid eating out
- Transportation: Plan trips; save on fuel; carpool; walk
- Housing: Make minor repairs to avoid bigger ones later; conserve energy
- Clothing: Buy clothing on sale; use coupons; shop resale

SHOULD YOU WITHDRAW MONEY FROM YOUR RETIREMENT SAVINGS?

Hardship withdrawal

- Not considered necessary if you have other options (loan, selling assets)
- There are special exceptions to withdrawal penalties, such as preventing foreclosure or eviction
- Hardship withdrawal is limited to what you paid in (no interest or employer match)
- Not a loan — does not need to be paid back
- You could owe more taxes — find out more at [IRS.gov](https://www.irs.gov)



SHOULD YOU CONSIDER BANKRUPTCY?

Bankruptcy is a last-resort legal procedure that can offer a fresh start for people who can't pay all their debts. First, consider the impact of filing for bankruptcy:

- Cost: \$1200 - \$2000
- Stays on your credit for 10 years
- Makes future loans difficult and more expensive
- May prevent you from getting a job

DECIDING WHICH DEBTS TO PAY FIRST

Everyone's situation is different, but a general payment order would be:

1. Housing related bills: mortgage/rent
2. Basic living expenses: groceries, medical insurance and medications
3. Minimum utility payment to prevent disconnection
4. Car loans/leases and car insurance
5. Taxes
6. Student loans and other types of loans

MANAGE YOUR CREDIT

- Check your credit report — make sure it is accurate
- Pay off debt as fast as you are able
- Pay bills on time to improve your credit score
- Beware of credit repair service scams
- Use a reliable credit counseling service

HERE'S SOMETHING YOU CAN DO AT HOME

ASSIGNMENT

- Monthly Cash Flow Evaluation Worksheet
- Set actionable goals
- Stay focused, and limit opportunities to stray
- Reward yourself
- Order your credit report on annualcreditreport.com and check accuracy
- Check your credit score on free credit check sites, such as creditkarma.com

Like what you learned?

Find more classes at NIBOA.org

RESOURCES

2-1-1 This community resource directory provides information on local nonprofit and government social services for those in need. It is the easiest way to connect to food services, housing assistance, employment services, counseling resources and more. If you are in need, dial 2-1-1.

Credit Counseling Services These services help you create a debt management plan and stick to it to resolve credit problems and pay debt down. Counselors also serve as impartial intermediary to negotiate with creditors to establish a reasonable and mutually acceptable repayment plan. To locate a program near you, visit NIBOA.org.

WorkOne WorkOne can help you find a new or better job, choose a career and access skills training. Visit NIBOA.org to find a location near you.



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