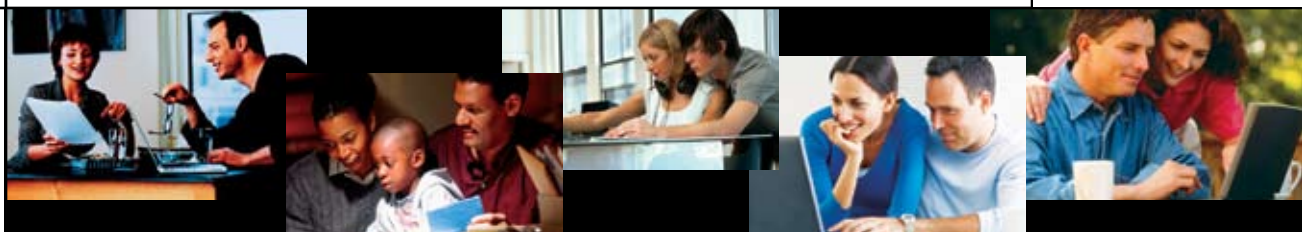


Debt Know How



www.debtknowhow.com

Family Case Study

John and Mary, both 45 with 3 children ages 4, 9 and 14, are in debt and feeling there is no way out. John and Mary both work outside the home full time.

John's gross income is \$5,150 per month – out of that amount, his employer withholds \$875 for state taxes, federal taxes, social security and Medicare, \$50 for family dental insurance, \$250 for family health insurance, \$25 for term life insurance and \$800 in a 401k plan, leaving him with \$3,150 in monthly take-home pay. His company is going through lay-offs. While he doesn't think he will be affected, he's not sure.

Mary's gross income is \$3,650 per month – out of that amount her employer withholds \$700 for state taxes, federal taxes, social security and Medicare, \$25 for term life insurance, and \$800 in a 401k plan, leaving her with \$2,125 in take-home pay.

John and Mary have current debt of \$12,000 on two car loans, \$10,000 on a home equity loan, \$5,000 on loan from John's parents, \$14,000 on four credit cards with varying interest rates, \$3,000 dental loan for their oldest child's braces, \$4,000 on an old hospital bill, and \$165,000 on a home mortgage. They have contacted the hospital to make payments that will fit in their monthly budget and they have talked to John's parents about paying a lower amount each month. To this point they have made all of their payments on time, but pay only the minimum amount due.

The family has several expenses they pay periodically throughout the year. They think that amount totals about \$200 per month, but know they will have to keep track each month to know for sure. They placed the dollars in a set-aside fund so they are available when needed. The following are expenses they think they have each month, but feel they need to do a better job of keeping track for the next several months.

| | | | | | |
|------------------------------|---------|-------------------------------|-------|-------------------------------|-------|
| Mortgage..... | \$1,100 | Eating out..... | \$100 | Household supplies..... | \$20 |
| (taxes and insurance) | | School meals..... | \$40 | Children's activity fees..... | \$100 |
| Home equity loan..... | \$100 | Doctor office co-pays..... | \$15 | Child care & pre-school..... | \$400 |
| Electric..... | \$75 | Dentist loan (braces)..... | \$75 | Children's allowances..... | \$30 |
| Gas/Heat..... | \$75 | Over-the-counter | | Pocket cash..... | \$50 |
| Water and sewer..... | \$50 | medicines..... | \$20 | Alcohol..... | \$10 |
| Telephone..... | \$50 | Prescriptions..... | \$20 | Loan to parents..... | \$50 |
| Cable TV & internet..... | \$65 | Vehicle loan payments..... | \$385 | Credit card payments..... | \$420 |
| Cell phone | | Gas..... | \$140 | Hospital loan..... | \$75 |
| family plan..... | \$100 | Maintenance & | | Lottery tickets..... | \$10 |
| Home maintenance/Repair..... | \$25 | oil changes..... | \$20 | Contributions (church)..... | \$125 |
| Emergency fund..... | \$50 | Vehicle insurance..... | \$175 | Charitable donations..... | \$25 |
| Set-aside funds..... | \$200 | Clothing & accessories..... | \$125 | Movie rentals..... | \$20 |
| Savings..... | \$50 | Laundry & dry cleaning..... | \$20 | Video games..... | \$10 |
| Vacation savings fund..... | \$100 | Health club membership..... | \$50 | Sporting events/Movies..... | \$40 |
| Groceries..... | \$600 | Personal care & products..... | \$65 | | |

Currently, at the end of the month they have a \$0 bottom line, but know that some months they dip into savings to make ends meet. They would like to know for sure where their money is going each month, make larger payments on their credit cards and other debts, be able to leave their money in savings so the money is available when they need it for a planned purchase, and establish college funds for the kids.

Developed by:

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