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Barbara R. Rowe Utah State University

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TAKE STOCK OF FAMILY RESOURCES

Barbara R. Rowe, Ph.D.

Professor and Family Resource Management Specialist
Utah State University¹

If your income has dropped suddenly, chances are you and your family are experiencing a high degree of anxiety, worrying about where you will find the money to pay necessary bills and obligations. In most cases, uncertainty and avoidance increase the stress associated with income loss. The first step to regaining control is to know where you are financially so you can adjust your spending to fit your present situation. Once you know the figures and can see them in black and white, you can develop a plan to make the most of the resources you have.

Good financial management begins with taking stock, in this case, determining your family's current financial position, or net worth. A net worth statement (see below) is 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. Then you can make decisions about how best to manage them. Another reason for putting together a net worth statement is that lending institutions usually require them before issuing or renegotiating a loan, so take the time to do this before you talk to your bankers or creditors.

Assembling Asset Values

Use Worksheet 1, "Net Worth Statement" to determine your net worth. Some assets are held as cash—the balances in checking, savings and money market accounts—or can be easily converted to cash, like Certificates of Deposit. Keep in mind that cashing in CDs before they mature may result in an interest penalty.

Some assets can be cashed in or sold at their current market value–stocks, bonds, mutual funds and other market securities.

Some assets 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 59½ will mean at least a 10% tax penalty, plus other charges.

Assets such as real estate and personal property can be sold, but usually not as quickly as stocks and bonds. Assets such as cars, furniture and appliances usually depreciate in value; so they are worth less now than when you bought them, even if they are still in good condition.

To calculate your assets, write down the current amount of cash in your savings, checking and money market accounts. Use the most recent

¹Adapted from *When Your Income Drops*, written by Barbara Rowe and Denise Schroeder, Purdue University Extension Service, West Lafayette, IN 47906.

statements to find account balances and current CD values. If you have government savings bonds, call a bank to find out the current value. If you have Internet access, you can go to http://www.savingsbonds.gov/ and use their calculator to find out what your bonds are worth. The cash surrender value of your whole life insurance policies is available 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 public libraries. Use the current value of your house or other real estate—not what you paid for it. Check the value on your most recent property tax statement or call your local tax assessment official. Check a used vehicle guide (Blue Book) through your local library or insurance agent for the value of your cars and trucks. Or you can check the price of used vehicles at http://www.edmunds.com or http://www.carprice.com.

To find the value of a boat, camper, snowmobile or other recreational vehicle, talk to a dealer who sells used recreational vehicles. Read the classified ads in the newspapers. Make a conservative estimate of the value of your household items and personal property and collectibles, recording what you could get if you sold everything today. List the current values of your pensions, IRAs or other retirement plans, using the amount you would get if you were able to cash them in today. Don't forget to add in money others may owe you if you realistically expect to collect it.

Calculating Liabilities

After you have totaled all your family's assets, it is time to calculate your liabilities—the money that you owe others.

Start by making a listing of all debts—the balance on your home mortgage, car loan, and other personal loans. The balance of the mortgage loan may be on your monthly statement. If not, ask the lender for the outstanding amount. Record the balances due on all credit cards, charge

accounts, installment loans, loans against insurance policies, taxes owed, notes payable and other loans. Be sure to list the total balance due, not just the amount of the monthly payment. List any current unpaid bills, including what you owe the dentist, this month's utilities, telephone charges, and so forth.

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. This is a picture of the financial assets that would remain if you disposed of all your current financial obligations today.

Questions to Ask Yourself

After you've had a chance to look at what you have written down, here are some questions you might ask yourself:

Where are most of your assets? Are they mostly in one item, such as your house or vehicle? How much of your assets can be easily turned 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? Hopefully, you have put aside three to six month's take-home pay in an "emergency fund" account. How long will you be able to meet your current monthly bills on your reduced income?

How much equity do you have in your house? To calculate this, take your home's current market value and subtract the balance left 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?

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 won't have anything for short-term emergencies such as unanticipated car

and home repairs or unexpected 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.

Before determining a selling price, do some research to find out what your items are worth. Visit resale shops, garage sales, and Internet auction sites to find out the going price for similar items.

You can't sell anything without finding someone willing to buy it. 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 listing your phone number and the

item for sale makes 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 or local shopper publications.

Nonfinancial Resources

After you have surveyed your financial resources, make a list of your family's nonfinancial resources that can be used to cut costs, traded for needed goods and services, or used to produce income. 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" 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.

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Worksheet 1: Net Worth Statement

Date

Assets	Liabilities	
Cash on hand Checking account(s) Savings account(s)	\$ Mortgages Home Other real estate	\$
Money market mutual fund(s)		
Money market deposit accounts	 Automobile loan(s)	
Certificates of deposit	 Bank loan(s)	
Savings bonds	 Student loan(s)	
Stocks	 Credit cards/charge accounts	
Bonds	 Past due bills	
Mutual funds	 Taxes	
Real estate		
Home	 Pledges: charities, church	
Other	 Partnership/business debt	
Cash value/life insurance	 Loans on life insurance policies	
Partnership/business equity		
	Other liabilities	
IRA/Roth IRA	 m - 11: 12:::	
Keogh/SEP	 Total liabilities	
Employee retirement fund	 T (1	
401(k)/403(b) plans	 Total assets	
Tax-deferred annuities	 Less total liabilities	
Other retirement funds	 Not wouth	¢
Hama furnishings/annlianass	Net worth	\$
Home furnishings/appliances Automobile(s)		
Antiques, art, collections		
Jewelry, furs, etc.		
Sports and hobby equipment		
Sports and nobby equipment		
Other		
Total assets	\$	

Worksheet 2: Family Resources

Resource	(Examples)	Resources family members can contribute	Which family members
Skills	sewing, baking, carpentry		
Abilities, interests	gardening		
Job training or certification	car repair, child care certification		
Attitudes	willingness to accept change		
Self-confidence	willingness to try new things		
Creativity	new ideas, artistry		
Time			
Energy			
Other			