Take Stock of Family Resources

Purdue University Cooperative Extension Service
When Your Income Drops 2

If your income has dropped suddenly, chances are you and your family are experiencing a high degree of financial distress, and you are worrying about where you will find the money to pay necessary bills and obligations. In most cases, uncertainty and financial neglect increase the stress associated with income loss. You can alleviate or prevent this stress by taking some time to study your current financial and family resource situation.

Once you know the figures and see them 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 consequently neglecting your bills.

Two steps are suggested here to help you better understand your current situation and explore the resources that can help you and your family successfully meet current financial challenges.

1. Construct a net worth statement.
2. List family members’ talents and skills that might be useful to produce income, save money, or traded for needed goods and services.

Net worth statement

A key to accomplishing anything is beginning properly. Good financial management begins with taking-stock, i.e., determining your family’s current financial position, or net worth. Net worth tells how much a family is worth in dollars and cents; it equals total assets remaining after all current liabilities are subtracted. A statement of net worth provides an important picture of financial well-being, or a snapshot of the current family financial situation. 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 of your progress from one year to the next in meeting your family’s goals.

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.

Assembling records: To get underway, pull together all important financial records. These include current and past income statements, tax returns; and all insurance policies including life, automobile and other vehicles, accident, disability, health, homeowners, and liability. Dig out information regarding company benefit plans and 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 accounts, checking accounts, charge card accounts, and store accounts.

Once these documents are located, you can begin the net worth statement. Remember, the objective of this exercise is to determine your financial worth, (what you have left after you subtract what you owe from what you own).

List your assets: First, list all of your liquid assets—those assets that can be converted to cash easily. Among your liquid assets are cash, checking accounts, savings accounts, and any accumulated cash value of whole life or permanent insurance policies—in addition, money market funds rank high in terms of liquidity. However, if you have certificates of deposit, keep in mind that you’ll pay an interest penalty if you withdraw them before the maturity date.

Next, list any marketable investments valued at current market value, i.e., at the amount you could obtain if you sold them today. Included here are stocks, bonds, mutual funds, collections (stamps, coins, antiques), and other investments. If you have non-marketable investments in the form of tax shelters, accrued equity in your company pension plan that is not forfeited if you leave the company, stock options, notes receivable, or interests, list these next.

Finally, complete your accounting of assets by itemizing and valuing your personal assets. Include real estate holdings (your home), all furnishings, household goods and equipment (china, silver, linen), etc.
clothing, jewelry, records, and any vehicles or boats.

**Household inventory:** To do a good job on this portion of the net worth statement, your family will need to complete a household inventory. Forms and information are usually available from the Purdue Cooperative Extension Service or from insurance offices handling homeowner's insurance. A household inventory, once complete, provides invaluable information and documentation regarding the value of your family's possessions in the event of fire, theft, or some other catastrophe. This information is necessary to file an insurance claim. The first time you inventory your home room by room can take several hours to complete, but once the initial inventory is complete, it only needs to be updated occasionally.

By totaling the family's liquid assets, marketable investments, non-marketable investments and personal assets, you complete the asset side of the net worth ledger. Now you know what your family owns.

**List liabilities:** After assets are complete, turn to liabilities. Make a listing of all debts; such as, your outstanding home mortgage, car loan, other consumer loans, loans against insurance policies, margin loans, taxes owed, notes payable, all outstanding balances on credit card accounts, amounts owed on revolving charge accounts, and automatic overdraft accounts at banks or savings and loans.

Once this work is complete, the final step is easy. Simply subtract total liabilities (the amount owed) from total assets (the amount owned) to arrive at net worth. This is a picture of the financial assets that would remain if you disposed of all your current financial obligations today.

**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.

It is likely each family member can make a contribution to operating the household more economically. Perhaps a teenager can do odd jobs outside the home. Ask yourself, could a family member's skill or hobby produce income?

In addition, consider belongings that could be sold to raise income. 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 how they can best be used in hard economic times. You'll find additional suggestions in HE-247 of this series.

**References**


**Nonfinancial Resources**

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<th>Family members:</th>
<th>Skills:</th>
<th>Resources:</th>
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# Net Worth Statement

## List your assets

**Liquid**
- Cash on hand
- Cash in checking account
- Savings accounts
- Cash value of insurance
- Cash in money market funds

**Marketable investment**
- Stocks
- Bonds
- Mutual funds
- Collections

**Nonmarketable investment**
- Tax shelters
- Equity in company pension plans
- Stock options
- Notes receivable

**Other personal assets**
- Real estate (cash value of home, land, rental property)
- Furnishings, household equipment
- Vehicles
- Clothing
- Jewelry

## 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

## Net worth

- Assets (what you own)
- Liabilities

**Total assets**

**Total liabilities**

**Net worth**
## Household Inventory

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<th>Kind or Make</th>
<th>Number Articles</th>
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<th>Purchase Date</th>
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Do for each room, garage, closet, etc.

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Basic subject matter taken from a publication written by Carol S. Kramer, Extension Specialist, Consumer Economics, Manhattan, Kansas (L-641). Adapted by Dixie Porter Johnson, Extension Specialist, Consumer Economics and Susan Kil-lin, Graduate Student, Purdue University, West Lafayette, Indiana.