

Managing Between Jobs

Setting Spending Priorities

Faced with reduced income, you'll need to cut back on spending and develop a plan to pay your bills. If your income will be down for more than a month, adjust your spending habits to maintain control of your finances.

Many people try to hide financial problems from themselves or family members. Not facing your problems can be very destructive; the worry and stress caused by financial uncertainty and lack of cash may be worse than the financial problem itself. It's important to look realistically at your situation and to seek solutions to your problems actively, despite the discomfort.

Spending decisions affect the whole family, so talk with your family about your situation. Let them know you need to change spending patterns. Involve them in deciding spending priorities. If family members understand the tough choices that must be made and have a voice in making them, they are likely to be more willing to accept the decisions.

As your family talks about what is most important, be sure to listen to what others say. Supporting each other can help you pull together as a family and get through these hard times.

How Others Handle Reduced Income

Studies show families respond to reduced income by cutting back on their spending for nonessentials such as vacations, eating out, and home furnishings. As the period of unemployment or reduced income continues, many families also report reduced spending for basic needs including food, shelter, transportation, and medical care. Families also say they revise their budgets and their plan for paying the bills.

Fewer families report using more credit as a way to manage during unemployment. Borrowing or using credit to pay bills often brings only temporary relief. For those families who did increase their use of credit, the more they borrowed, the more unhappy they were with their financial situation.

Families who *quickly* changed their spending habits were the most satisfied with how they were managing during unemployment. Families who didn't make changes felt more out of control and more dissatisfied.

Making a Spending Plan

A spending plan is always an effective tool to help you get the most for your money. It's even more important when you have a sudden change in income. A spending plan helps you:

- Make decisions about how to spend your money
- Provide for needs before wants
- Match your spending to your current income
- Prevent family arguments over money

The worksheet on page 3 can help you set up a spending plan for your current income. By comparing your income and planned expenses before and after your income dropped, you can see what changes are needed.

Step 1—Your Income

Add up your current family income from all sources. Include Unemployment Compensation as well as income from other family members if it is used for family expenses. Use the take-home amount, or what you actually have to spend after deductions. Do you receive income from any of these sources?

- Earnings from employed family members
- Unemployment Compensation
- Withdrawal from savings
- Tips or commissions
- Interest or dividends
- Social Security
- Child support or alimony

- Public assistance
- Veterans benefits

List your income now and before it was reduced on the spending plan worksheet.

Step 2—Your Monthly Expenses

If you had a spending plan before your income dropped, you probably know how much you were spending monthly. If not, use canceled checks, bills, and receipts to figure out how much you spent on the following categories.

- *Housing*—mortgage or rent payments, property taxes
- *Utilities*—electricity, gas, oil, phone, water, cable TV
- *Food*—groceries, eating out, school lunches
- *Transportation*—gas, car repairs and maintenance, parking, bus, taxi fares
- *Medical care*—doctor, dentist, clinic, hospital, medicine, eyeglasses
- *Credit payments*—car payments, installment loans, credit cards, charge accounts
- *Insurance*—health, life, property, car, disability
- *Household operations and maintenance*—repairs, cleaning supplies, paper supplies, equipment
- *Clothing and personal care*—new clothing purchases, laundry, dry cleaning, hair care, cosmetics, toiletries, gym membership
- *Education and recreation*—books, magazines, newspapers, lessons, tuition, hobbies, club dues, sports, pet expenses, entertainment, vacation, alcohol, tobacco
- *Miscellaneous*—child care, gifts, contributions, personal allowances, child support

As you think about what you were spending and plan how much you can spend now, ask yourself:

- Which expenses are essential to your family's well-being?
- Which expenses have the highest priority? The publication, *Deciding Which Bills to Pay First*, EC 1393-E, can help you determine this.
- Which areas can you cut back to keep your spending within your income?

- How much can you afford to spend in each category?

Adjust your spending in each category and enter the new amount in the column "Current Amount" on the spending plan worksheet.

Remember, not all expenses are monthly. For instance, property taxes, insurance premiums, and holiday gifts come once or twice a year. You'll need to set aside money in your monthly spending plan to meet these occasional costs.

Step 3—Balance Income and Expenses

Compare the total of your adjusted expenses to your current income. What can you do if your expenses still are greater than your income?

Cut back on spending. See EC 1392-E, *Strategies for Spending Less*, for suggestions, particularly for reducing flexible expenses.

- *Increase your income.* What are the possibilities for part-time or temporary work to help supplement your income? Use your non-cash resources, too. See EC 1396-E, *Bartering*.
- *Look at your other assets.* Do you have savings, investments, or property that could be used or converted to cash to meet expenses? See EC 1397-E, *Making the Most of What You Have*. Keep in mind that borrowing and using savings may be only temporary solutions.
- *Reduce fixed expenses.* If too much of your income is going to fixed expenses such as housing or debt payment, there may not be enough money left to cover other living expenses. You may need to refinance your loans, move to less costly housing, or legally turn over the property to your creditor to get relief from some of your debt. EC 1394-E, *Talking with Creditors*, and EC 1395-E, *Keeping a Roof Overhead*, may help.

Making Your Spending Plan Work

Once you have a spending plan that sets spending amounts for essential family needs and balances your spending with your income, you'll have to stick to it. Writing it down is not enough. You must use the plan to guide your spending.

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Monthly Spending Plan Worksheet

Month _____ 200__

	Before Income Was Reduced	Current Amount
Step 1—Your Income (Take-home)*		
Salary, wages	\$ _____	\$ _____
Unemployment Compensation	\$ _____	\$ _____
Other	\$ _____	\$ _____
<i>A. Total Monthly Income</i>	\$ _____	\$ _____

Step 2—Monthly Expenses		
Housing—mortgage or rent payment	\$ _____	\$ _____
Utilities—electric, gas, phone, etc.	\$ _____	\$ _____
Food—at home and away	\$ _____	\$ _____
Transportation—gas, car repairs, etc.	\$ _____	\$ _____
Medical—doctor, dentist, hospital, etc.	\$ _____	\$ _____
Credit payments—loans, credit cards	\$ _____	\$ _____
Insurance—life, health, car, property	\$ _____	\$ _____
Household operations and maintenance—repairs, cleaning supplies, etc.	\$ _____	\$ _____
Clothing and personal care—clothes, laundry, toiletries, etc.	\$ _____	\$ _____
Education and recreation	\$ _____	\$ _____
Miscellaneous—child care, gifts, allowances, etc.	\$ _____	\$ _____
Savings and/or funds set aside for seasonal and occasional expenses	\$ _____	\$ _____
<i>B. Total Monthly Expenses</i>	\$ _____	\$ _____

Step 3—Balance Income and Expenses

Total Monthly Income (A) \$ _____ = \$ _____ Total Monthly Expenses (B)

* Because most bills are monthly, it's easiest to look at income and expenses on a monthly basis. Multiply weekly income by 4.33 and biweekly income by 2.17 to convert to monthly amounts.

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Managing on a Seasonal or Irregular Income

If you are self-employed, seasonally employed, or receive a sizable share of your income from tips or commissions, your family income may change monthly. In that case, look ahead and carefully estimate your income. It may be helpful to estimate your income for a whole year so you can see when and how much it changes.

Even though your income may change from one month to the next, many of your living expenses are the same each month. This mismatch of income and expenses can cause feelings of insecurity and increase family tension.

Reduce this uncertainty by establishing a monthly family living allowance. Use expenses you identified as part of your spending plan to determine your monthly living allowance, or what it costs your family to live each month.

When you receive income, deposit most of it in a special savings or money market account where it will earn interest but still be available readily.

Then, each month “pay yourself” by withdrawing your family’s living allowance and putting it into your checking account to pay your bills. Avoid the temptation to spend more money in the months when your income is greater.

As a family on a seasonal or irregular income, you may want to schedule some major expenses such as insurance premiums, clothing purchases, and nonemergency medical and dental care to coincide with times of more income.

Summary

Living on a reduced income may be temporary or prolonged. Getting the most from your income during this time requires careful planning and wise spending decisions.

A spending plan based on what you and your family consider to be most important can help you balance spending with available income and resources. Keeping track of your spending will help ensure that you have the money for the things your family needs most.

For More Information

This publication is one of several in the *Managing Between Jobs* set available from the OSU Extension Service. Other titles:

- EC 1392-E, *Strategies for Spending Less*
- EC 1393-E, *Deciding Which Bills to Pay First*
- EC 1394-E, *Talking with Creditors*
- EC 1395-E, *Keeping a Roof Overhead*
- EC 1396-E, *Bartering*
- EC 1397-E, *Making the Most of What You Have*
- EC 1398-E, *Accepting Your Feelings*
- EC 1399-E, *Living Better with Stress*
- EC 1400-E, *Identifying Sources of Support and Friendship*
- EC 1401-E, *How You Can Help When Your Mom or Dad Is Unemployed*
- EC 1402-E, *Deciding If Teens Should Work*
- EC 1403-E, *Helping Children Cope*

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