



BUDGET 911

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About Credit.org



Credit.org is a Nonprofit Consumer Credit Counseling Agency Formed in 1974

Our mission is simple, yet vital: Improve the financial well-being of individuals and families by providing quality financial education and counseling. We offer personal assistance with money, credit, and debt management through educational programs and confidential counseling.



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Our Services

Financial Education Programs

We offer seminars, workshops, and educational materials on topics such as budgeting and money management, identity theft, and understanding credit.

Debt Management Program

If you choose this option, we can work with your creditors to reduce costs and repay debt through one monthly payment.

Confidential Debt Counseling

Our certified consumer credit counselors will discuss your financial situation with you, help you understand what may cause financial stress, and help you create a personalized budget, an action plan and give you options to help manage your finances more effectively.

Credit Report Review

Our certified counseling work with you to break down your credit report, answer questions, and give guidance for improving your credit score over time.

Housing Counseling

We are a HUD-approved housing counseling agency. We provide homebuyer education seminars, mortgage counseling, foreclosure prevention assistance, landlord/ tenant counseling, post-homebuyer education, and reverse mortgage counseling (please call ahead for reverse mortgage appointments).

Bankruptcy Pre-petition Credit Counseling

We provide counseling (and a certificate of completion as mandated by the bankruptcy reform law) for those considering bankruptcy. We also provide financial education (and a certificate of completion as mandated by the bankruptcy reform law) for those completing their bankruptcy discharge.

Surviving a Budget Crisis



As a nonprofit organization with 50 years of service to the community, people come to us when they're in emergency situations. Here we're offering some targeted advice to help people create a budget when they're in a "911" situation and need to act fast.

This is not the budget to use when times are good; we offer a Budgeting 101 course for beginners and our Power of Paycheck Planning course is a more comprehensive look at budgeting; its workbook is over 30 pages long.

This Budget 911 course helps people through emergency financial situations; if you're facing a financial crisis and want to come up with a response, you're in the right place.

STOP ALL FINANCIAL ACTIVITY

Your first step is to freeze your money. Stop borrowing, stop spending, and make sure you turn off all automatic payments. You need to get total control over your finances and be able to assess everything in detail. Make sure there's no way any money can be spent without your direct say-so.

ADDRESS YOUR EMERGENCY

What has put you into a financial crisis? Make sure you address that situation head-on. Is your emergency health related? Take care of yourself first! Your health is more important than any financial bottom line.

If you had a job loss or unexpected loss of income, start thinking about replacing that income any way you can. Make finding another source of income your full-time job until you get something to pay the bills and put food on the table. It might only be temporary, but anything you can do to secure an income will give you a starting point toward resolving your financial crisis.

What Changed?

We start budgets by analyzing our expenses and our income. In a crisis, look at your income first.

HOW MUCH HAS CHANGED?

If your income is reduced, you need to know by how much. Use bank statements put together a picture of your finances before the emergency, then look at what you have coming in now. How much less is there? At a minimum, you need to cut that much from your spending.

REPLACING INCOME

We talked on the last page about replacing lost income: make finding another job our source of income your full-time job until you have something coming in to pay the bills. But whatever you do, DO NOT use credit as a substitute for income.

You may be tempted to use credit cards or home equity loans to weather a crisis. But don't do it! Never use credit or debt as a source of income. Don't take out a loan against your home to get by—that's putting your main asset at risk, and you could end up losing your home.

If you do end up forced to tap into home equity in a crisis, remember this is a once-in-a-lifetime move. However much time you've spent building equity in your home, once you cash it in, it's gone, and it'll take years more to rebuild it. Don't make that move lightly.

REMEMBER ALL SOURCES OF INCOME

What income didn't change? Do you have rental income, a part time job or side hustle, alimony payments, your spouse's paycheck, etc.? When you're comparing your pre-crisis income to what you've got coming in now, make sure to include everything.

DON'T GUESS OR GAMBLE

Whatever you do, base your math on hard numbers. You may end up being able to make extra income selling belongings on eBay or picking up odd jobs, but don't include these things in your written budget if they're not guaranteed. Set yourself up for success by only factoring in verifiable income.



Categorizing Spending

Besides income, the other half of your budget are your expenses. We divide expenses into two broad categories: wants and needs.

WANTS VS. NEEDS

Needs, or discretionary expenses, are those things you need to survive. Food, shelter-- anything that you can't live without. We'd also include anything you need to earn a living, so if you drive to work, your car payment and auto insurance are needs as well.

Wants

- Entertainment
- Travel
- Designer Clothes
- Takeout Food/Coffee
- Subscriptions

Needs

- Rent/Mortgage Payment
- Utilities
- Transportation
- Food
- Prescriptions/Medical

DIGGING DEEPER

Some expenses can be either a want or a need depending on the kind of spending it is. You may need internet access and a cell phone, but you may not need the most expensive high-speed plan or the latest, top-of-the-line model of phone.

Food, prepared at home, is necessary to live, but restaurant dining, coffeehouse drinks, and takeout food are wants. You might need professional attire for work, but designer clothes are a want, not a need.

Reducing Expenses: Wants

Once you've sorted your necessary expenses from discretionary, you need to think about how to reduce spending to get through your financial emergency.

STEP 1: CUT ALL DISCRETIONARY SPENDING

That's right. You need to cut every penny of spending on wants. If this is truly a 911 emergency, then don't spend a single dime you don't have to. By definition, wants are expenses you can live without, so cut them and go without for a month.

STEP 2: STICK WITH IT

Of course this won't be fun. It might be downright painful. But it is critical to stick with it at least for the first month. Endure the pain of going without discretionary expenses for a calendar month, and you'll learn a lot.

How? By paying attention to the pain you feel. What things do you miss the most? What truly drives you crazy? Take stock of how this new crisis budget makes you feel and try to create a stack-ranked list of the things you miss. Dining out? Movies? Travel? Identify the things you want back from your previous budget.

STEP 3: REINTRODUCE WANTS SLOWLY

After the first month, take stock again. Is there any money left over in your budget after spending on needs? Are you making progress toward resolving your financial crisis? If you aren't, then you have to stick with the no-wants budget and maybe even get professional financial coaching.

But if you do have some money left over in your budget, then you can start re-introducing some of your discretionary spending. But for this 2nd month, only bring back one thing. What was #1 on your list of things you miss? That's the one to add back into your spending—carefully.

If dining out is #1 for you, budget for a nice meal once this month, or once per week if you can afford to. If you miss entertainment, re-subscribe to your favorite streaming service... but only 1 of them. Treat movies like dining out; pick one film or a couple of matinees to budget for this month. But all of these wants must be planned for in your budget, not impulsive.

Reducing Expenses: Needs

REDUCING NECESSARY SPENDING

It's much more difficult to address needs than wants. By definition, you can't live without needs. So to reduce those expenses, you have to be careful and look for any way you can to trim down that spending.

Housing

Renting:

Housing expenses are the first things you should address every month. If you only have enough money to pay one bill, make that your mortgage or rent payment.

If you rent, reducing housing expenses might mean looking for a cheaper rental. Moving is inconvenient and can become expensive, but if you can reduce your monthly expenses significantly, it might be worth seeking a less expensive place to rent.

Should I Refinance?

If you're a homeowner with a mortgage, it may be tempting to refinance your mortgage to get through a financial crisis.

Ultimately, your circumstances are unique to you, and you may end up needing to refinance in the end. But our professional advice is this: Avoid refinancing to get through a crisis if you can possibly avoid it.

It takes years to build up equity in your home, and when you refinance to take out those proceeds, it will be years more before you'll be able to do it again, if ever. It's a once-in-a-lifetime move that is irreversible. If you "break the piggybank" to get through your crisis, you should be absolutely sure there's no other way.

One issue is that the point of homeownership is to pay off your home by the time you retire. That way, when you transition to a fixed income, you won't have a house payment or rent to make every month. If you refinance, you'll lengthen the term of your mortgage and possibly end up being forced to make hefty mortgage payments well into your retirement.



When to Refinance

When is it OK to refinance? Sometimes, refinancing is the right move:

1. Renovating or repairing your home

Making improvements or repairs to your home may be an acceptable use of your home equity. You'll need to determine the pros and cons of refinancing your mortgage and if this is the best financial strategy for you. When you refinance your mortgage, you pay off the loan to your original lender and use a new lender with completely new loan terms. Often, this includes a new interest rate (ideally a lower one), a new payment term, and some closing costs.

2. Life-or-Death emergencies

Financial emergencies are what this budget 911 course are about. If you've got a truly dire emergency and your survival depends on cashing out your home's equity, then that's what it's there for. But remember what we've been saying: this is a one-time move and you won't get to use home equity to get through your next financial emergency.

3. Retirement

Once you've retired and transitioned to a fixed income, you might take out a reverse mortgage to meet expenses in your golden years. Navigating reverse mortgages can be complex. We offer a reverse mortgage counseling session as navigating reverse mortgages can be complex. Our counseling session provides comprehensive support, assisting you to ensure a smooth and confident experience.

Roommates

One way to avoid refinancing is to share your mortgage expenses. Is it possible to take on a roommate or tenant? Have them help you pay your mortgage. Charge rent of anyone who shares your roof, unless they're your non-adult children.

Now, if your children live with you and are of adult age, then you should charge them rent if you can. Everyone in the household has to contribute somehow.

This applies to rental situations as well. Taking on a roommate to share expenses can be the right move to get you through a crisis.

Reducing Utility Bills



A big category in the “needs” part of your budget will be your utility bills. You’ve got to have power, heat, water... but in a crisis you should look for ways to cut these bills as much as you can.

First, make sure everyone who lives with you is contributing. If you have family or adult children living with you, they should be helping somehow. If they can’t financially contribute by paying part of the utility bills, then they can help by conserving and keeping bills low:

Climate control. Make sure your windows and doors are closed and the home is weatherized with weather stripping on any drafty doors or windows.

Set your thermostat to 78 degrees in the summer and 68 in the winter. Close off rooms you aren’t using and only pay to heat or cool rooms someone is actually in.

Pull the plug. Unplug any power-hungry appliances, even if they’re turned off. Many devices still pull power in standby mode or when powered off but connected to your house’s electrical system.

Use a clothesline. After your cooling and heating system and your water heater, your washer and dryer are the 3rd most energy-consuming items in your house. *

While you’re in a budget crisis, pack up any clothes that are expensive to launder or are dry-clean only. Put them in storage until your financial situation improves.

Use automatic shutoff. Set your computer, smart TV, or other electronic devices to shut off or go into a low-power sleep mode when you’re not using them.

Switch from incandescent bulbs to LEDs. The average household has 70 lightbulbs. and LEDs user 90% less energy than traditional bulbs.

Phone Bills

You need a phone. Chances are you can't earn a living without one. But you can work to lower your monthly phone bill.

Talk to your carrier and don't be afraid to take your business elsewhere if they can't give you a better deal.

And if you do switch carriers, be sure to take steps to keep your cell phone number:

<https://www.fcc.gov/consumers/guides/porting-keeping-your-phone-number-when-you-change-providers>



Lower Transportation Expenses

Auto expenses are roughly 1/4 of a typical household's budget.

One way to lower your overall auto expenses is to focus on extra expenses like insurance, fuel and maintenance.

Try to lower your premiums by shopping around for cheaper coverage or raising your deductibles. Talk to your insurance agent and let them know you need something less expensive and you're willing to shop around for a different provider. They may offer discounts to keep your business.

You might trade your car for a cheaper or more fuel-efficient one, but make sure your car is reliable. You need something you can trust to get you to work so you can make money.

If you can, join a car pool to save on gasoline costs.

Also examine your driving habits and look for ways to save on fuel. Don't speed or drive aggressively. Don't idle for too long, and use air conditioning sparingly.

Keeping your car maintained is important. During a financial crisis; you can't afford any nasty surprises. Follow your owner's manual and don't wait to do important repairs to save money. This will cause a more expensive repair later.

Above all, drive safely. Mainly because your health and safety matter! But also to avoid repairs, insurance deductibles, and other expenses that can result from careless driving.

AUTO Expenses

How to Save:

Raise deductibles

Shop for cheaper insurance

Trade for a cheaper car

Car pool to work

Save on fuel:

Don't drive aggressively

Use A/C sparingly

Slow down



Food Costs

Controlling costs

Shop at different stores \$

Studies show we can cut our grocery bills up to 19% by shopping at multiple stores.
Plan ahead to avoid driving back and forth between stores while comparison shopping.

Prepare your own meals \$

Dining out is 5 times more expensive than preparing your own meals.

Buy from farmers' markets \$

Get produce that is fresher, healthier, and less expensive.

Buy in bulk \$

Buy bulk amounts of things that won't spoil that you know you'll use.

Shop carefully

Use a list \$

Make everything you buy a planned purchase—no impulse shopping!

Don't shop hungry \$

Don't shop when tired, hungry, or with your kids.

Pay attention to receipts \$

Make sure you're getting every discount advertised, and the prices marked are accurate.

Join the store's rewards program \$

Take advantage of every discount you can get.



Food Costs

Buy smarter

Use what you buy \$

Studies show that 12 to 25% of edible food purchased in the US goes to waste. If you buy something too close to its expiration date, use it or freeze it right away.

Buy generic \$

Dry & canned goods, staples... there's no reason to pay extra for name brands.

Watch for "manager markdowns"..... \$

Stores mark down meat and produce that is set to expire to make a quick sale. Snap up these deals.

Change your habits

Cut out snacks \$

It's healthier and cheaper to avoid snacking between planned meals.

Save leftovers \$

Use tonight's leftovers for tomorrow's lunch, or make new dishes from your leftovers.

Try new techniques \$

Use a slow cooker to make large pots of soup or to make use of cheaper cuts of meat.

Consider growing your own food \$

Try your hand at growing edible produce and herbs.



Using Coupons

Use Coupons Carefully!

Don't let a coupon entice you into buying something you wouldn't normally shop for.

Only make planned purchases, but use coupons to save money whenever you can.

Get Coupons

Clip them from the Sunday paper, check magazines, check the store's website.

Check the common coupon sites (Rakuten, Valpak, Coupons.com, Couponmom!, etc.)

Save Receipts

Use the coupons printed on the back of your store's receipts--they're tailored to your shopping habits.

Get Organized

Carry a wallet or organizer to keep your coupons separated and avoid creating a traffic jam in the check-out lane.

Present your coupons in the right order to the cashier.

Be Flexible

You can't control when coupons will come along or when they expire, so stock up and be ready to use them any time.

Double Up

Some stores will honor both the manufacturer's coupons along with a store coupon for double savings.

Also look out for store that double the value of manufacturer's coupons.

Using Coupons

Join the Club

Join your store's loyalty club to ensure you get all the special offers that are for members only.

"Like" or follow your stores on social media to find out about sales and discounts.

Rebate Offers

Manufacturers offer generous rebates knowing 60% of them will never be redeemed. Always follow through on rebate offers.

It might take a few weeks to get your rebate, but when you do it's more money in the bank.

The most common form of overspending isn't buying things you don't need, it's paying too much for things. Avoid overpaying by comparison shopping, bulk buying, and using sales, promotions, & coupons.



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