



Dairy and Beef--Family and Individual Stress

LIVING WITH LESS

As we try to recover from yet another natural disaster, this time another drought, many South Carolina farmers may have to live with less income again. What can we do to remain financially stable during this period?

Stress

It is important to remember that financial concerns can add to stress levels that individuals and families are currently experiencing. A financial crisis is not likely to push a financially stable family over the brink. However, it may be the last straw for a family which is financially unstable and experiencing difficulties. If you acknowledge these negative possibilities, you will be better able to give extra effort to maintaining family relationships and managing the stress.

Family Relationships

This extra effort is equally important in relationships with spouses, significant others, and children. If children are at least ten years old or psychologically mature, they should be included in discussions about financial difficulties. If you have not regularly held family meetings, now would be a good time to start. Children are smart and will surprise you with their knowledge of the situation. A family meeting is an excellent opportunity to allow children to express their concerns and to have input into the family's plan to live through this period.

Remember that not all resources will be decreased this year; the most precious resource of all, time, may increase. The time to spend with family members doing activities that cost little could result in some of the family's most memorable times.

Successful Financial Management

Your first priority should be to survive this difficult period both financially and emotionally. Sit down with other family members to analyze your financial goals, priorities, and basic needs. Extension publication HML 671 "Financial Focus" can help you clarify values and analyze your total financial situation.

You need to determine your current income and expenses. Look at flexible budget items such as groceries, utilities, and recreation to decide how these expenses could be reduced or eliminated. Next look at fixed expenditures, such as mortgage or rent and insurance. Do all items fit into family priorities

or help achieve financial goals? Each county Extension office has a copy of a computer program called "Speedy Spend." This software program generates household budgets based on monthly estimates. Extension publication HML 551 explains the program.

It is very important that any decision to sell assets, use credit, eliminate budget expenditures for insurance policies, spend emergency fund savings, and reduce savings for financial goals such as retirement be made by carefully weighing the consequences of such decisions. The consequences of these decisions will have long-lasting effects on financial stability. For people who would like to improve their decision-making skills, Extension publication HML 673 "Decision-Making: It Can Work for You" may be helpful.

Use of Credit

Periods of temporary decreases in income provide the temptation to use credit as the means to maintain current levels of living. It can be rationalized that when income is restored, debts will be repaid. It is a strain on any budget to repay loans or credit card debts. Not only are you repaying the principal borrowed, but also the finance charges. Remember that using credit is spending future income. Unwise use of credit now can extend a temporary financial situation into years of indebtedness.

If refinancing a current loan or mortgage can provide lower interest rates and/or more income tax advantages, it may be a viable alternative. Home equity credit line loans are likely to have the greatest tax advantages for homeowners who qualify. Each Extension office has a computer program, "Loan," that can analyze loans and repayment options so that total financial implications are known.

If you know that a reduction in income will cause you to fall behind in current debt repayments, you need to contact your creditors. Developing a debt repayment plan is essential to maintaining a good credit record. Extension publication HML 682 "Getting Out of Debt: A Self-Help Guide" gives information on how to set up a plan to repay debts and names of other agencies in South Carolina that can provide help.

Insurance

A better way to manage income reduction is to carefully analyze your current risk management strategies. Determine your minimum insurance needs and shop around for the lowest premium that provides the coverage you need. Make sure that you are comparing equal coverage, not just premium cost and that the company you select has an excellent rating and a good reputation for handling claims. Extension publications HML 676 - 681 provide information and consumer tips on the different types of insurance most individuals need. In addition, Hand Out #2 in the Insurance: A Building Block for Financial Planning lesson in the Southern Selections notebook provides "35 Ways to Cut Insurance Costs."

Spend Emergency Fund Savings

If you have built up an emergency fund or have savings to cover unexpected financial situations, think about using that money now. Decide how much you need each month and determine how long the fund will last. Also consider what will happen if unforeseen financial blows occur in addition to the income reduction.

If you withdraw money from your savings accounts, take money from a regular account first. If possible,

leave certificates of deposit or money market certificates until they mature to reduce loss of interest.

Reduce Savings for Financial Goals

A decision to reduce savings or contributions that will fund specific financial goals must be considered very carefully. A temporary reduction in level of living to correspond to a reduction in income is uncomfortable, but survivable. Stopping contributions to a child's education fund or reducing contributions to a retirement plan may have long-lasting effects. Extension publication HML 672 "Life Plans: Goals and Priorities" is a useful tool to use in prioritizing financial goals. If a new plan for financing a child's education must be implemented, HML 674 "Financing a College Education" will be helpful.

Remember

- Do not panic. You can still control your financial situation, if you plan carefully.
- Communicate. Analyze your financial priorities and talk with your family about what you will do.
- Do not default on payments. Explain the situation to your creditors and work out adjustments.
- Be prepared to change your level of living at least temporarily, so that you do not wind up sacrificing essentials.