

## CASE STUDY A

Mindy Smith, 33 years old, was recently divorced from her husband Terry after 10 years of marriage. She has three children, ages 3, 5, and 8. Terry is a CPA. Mindy has never worked outside of the home, although she completed one year of college. Terry and Mindy had been actively involved in a large church since they were married. Mindy now wants to marry Carol, a lady who sings in the church choir. The church quickly responded by following the steps outlined in Matthew 18:15-17, but Terry and Carol are not repentant and now want nothing to do with the old church. Mindy has stayed in the house, which is in a small city with limited public transit. They have a dog.

Mindy is working 40 hours per week at a bookstore, where she earns just over the minimum wage. Mindy's mother has offered to watch the children while Mindy works. The church has helped with food and utility bills, but Mindy cannot continue this long-term.

Following are the agreements in the divorce settlement.

- Mindy was awarded the house but has to pay the mortgage.
- Mindy was awarded all personal belongings - furniture, toys, clothes.
- Mindy was awarded child support of 1,800 per month.
- Mindy was awarded the Honda Accord, which has a loan against it.
- Mindy will be responsible for the credit cards and personal loans shown on the debt list.
- Terry is responsible for providing health insurance for the children. He is also responsible for all medical expenses the health insurance doesn't pay, plus all dental and prescription drug expenses for the children if the employer does not provide health insurance.
- Terry is to carry life insurance on himself in the amount of 250,000 with the children as the beneficiaries until the youngest child reaches age 21.
- No alimony was awarded.
- Mindy was awarded the exemptions of the children for income tax purposes.

Help Mindy develop a realistic budget for her new situation as a single mother.

- Complete the "% Spending Plan" tab, using appropriate percentages from the "Percentage Guide" tab.
- In the "Spending Plan" tab, complete the "new budget" column, explaining significant changes in the "old budget" column.

**The questions below will be in the Assignment for Case Study A. They are listed here so you can be thoughtful about them as you review the forms in this spreadsheet.**

1. What scriptures and biblical principles could help Mindy understand how God wants her to manage her money and decide about declaring bankruptcy?
2. What actions should Mindy take to help her adjust to her new lifestyle and her resulting emotions?
3. Mindy's debt payments are significantly over the guideline. What practical steps should Mindy take to address this?
4. Mindy's housing expense is significantly over the guideline. How would you help Mindy decide whether to rent or buy?
5. What actions should Mindy take to secure some type of health and life insurance?
6. What actions should Mindy take to fund emergency savings and clothing?

This is a very sad situation that you may very well run in to. Statistics show:

- 41 percent of first marriages end in divorce.
- 60 percent of second marriages end in divorce.
- 73 percent of third marriages end in divorce.

This is alarming and sad news. Yet Christians are not exempt from these types of situations.

Assets & Liabilities	
Date:	

Comments

ASSETS (Present Market Value)	Balance
Cash On Hand (both husband and wife if married)	50.00
Checking Accounts	250.00
Savings Accounts	0.00
Stocks and Bonds	
Cash Value of Life Insurance	
Valuable Collections (coins, stamps, etc.)	
Primary Home Value (look up value, e.g., zillow.com)	300,000.00
Other Real Estate	
Mortgages/Notes Receivable	
Automobile 1 (look up value, e.g., kbb.com) - 4 year-old Honda Accord	22,000.00
Automobile 2 (look up value, e.g., kbb.com)	
Automobile 3 (look up value, e.g., kbb.com)	
Personal Property (Furniture, Jewelry, etc.)	20,000.00
Retirement Savings (401k, 403b, IRAs, Pension, etc.)	
College Savings	
Other Assets	
<b>Total Assets:</b>	<b>342,300.00</b>

LIABILITIES / DEBT LIST					
CREDIT CARDS (only list cards for which you do not pay the full statement balance each month)					
Credit Card Issuer	What Was Purchased	Minimum Monthly Payment	Interest Rate	Months Past Due	Balance Due
Chase Amazon	Various	50.00	23.0%	0	4,000.00
Citibank Visa	Various	65.00	20.0%	0	5,500.00
Capital One Mastercard	Various	40.00	21.0%	0	2,500.00
<b>Total Credit Cards</b>		<b>155.00</b>			<b>12,000.00</b>

AUTO LOANS					
Loan Company	Year, Make, Model	Minimum Monthly Payment	Interest Rate	Months Past Due	Balance Due
Honda Financing	4 year-old Honda Accord	530.00	6.0%	0	18,000.00
<b>Total Auto Loans</b>		<b>530.00</b>			<b>18,000.00</b>

HOME MORTGAGES (includes home equity loans or lines of credit)					
Mortgage Service Company	Property Address	Minimum Monthly Payment	Interest Rate	Months Past Due	Balance Due
My Town Credit Union	18 Oak Court	1,800.00	4.0%	0	250,000.00
<b>Total Home Mortgages</b>		<b>1,800.00</b>			<b>250,000.00</b>

OTHER DEBT (education, medical, personal, business, legal, IRS, etc.)					
Who	Type of Debt (medical, education, etc.)	Minimum Monthly Payment	Interest Rate	Months Past Due	Balance Due
Best Finance	Debt Consolidation Loan	260.00	10.00%		8,000.00
<b>Total Other Debt</b>		<b>260.00</b>			<b>8,000.00</b>

<b>Total Liabilities/Debts</b>	<b>288,000.00</b>
<b>NET WORTH (Total Assets minus Total Liabilities/Debts)</b>	<b>54,300.00</b>

**Instructions**

1. Find the family situation that most closely represents your family (i.e. Married with 4 children, Single with roommate, etc.).
2. Find the gross income level that most closely represents your family (i.e. \$25,000 to \$125,000).
3. Taxes include all current actual monthly Federal, Social Security, Medicare, State, and Local Income Tax Taxes.

**Suggested Percentage Guidelines For Family Income**

**(Married with 4 Children)**

<b>GROSS HOUSEHOLD INCOME:</b>	<b>25,000</b>	<b>35,000</b>	<b>45,000</b>	<b>55,000</b>	<b>85,000</b>	<b>125,000</b>
<b>1. Tithe/Giving</b>	10%	10%	10%	10%	10%	10%
<b>2. Total Taxes</b>	<b>Use Current Monthly Taxes</b>					

**Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%**

<b>3. Housing</b>	38%	38%	34%	33%	32%	32%
<b>4. Food</b>	15%	15%	14%	14%	14%	14%
<b>5. Transportation</b>	14%	14%	12%	12%	11%	11%
<b>6. Insurance</b>	5%	5%	5%	5%	5%	5%
<b>7. Debts</b>	5%	5%	5%	5%	5%	5%
<b>8. Entertainment/Recreation</b>	3%	4%	4%	5%	5%	5%
<b>9. Clothing</b>	5%	5%	6%	6%	7%	7%
<b>10. Savings</b>	4%	4%	5%	5%	5%	5%
<b>11. Health &amp; Wellness</b>	8%	7%	7%	7%	7%	7%
<b>12. Miscellaneous</b>	3%	3%	5%	5%	5%	5%
<b>13. Investments</b>	0%	0%	3%	3%	4%	4%
<b>Total Net Spendable Income:</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**14. School/Child Care** no guideline percentages

## Suggested Percentage Guidelines For Family Income

**(Married with 2 Children)**

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
1. Tithe/Giving	10%	10%	10%	10%	10%	10%
2. Total Taxes	Use Current Monthly Taxes					
<b>Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%</b>						
3. Housing	39%	36%	32%	30%	30%	29%
4. Food	15%	12%	13%	12%	11%	11%
5. Transportation	15%	12%	13%	14%	13%	13%
6. Insurance	5%	5%	5%	5%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	3%	5%	5%	7%	7%	8%
9. Clothing	4%	5%	5%	6%	7%	7%
10. Savings	5%	5%	5%	5%	5%	5%
11. Health & Wellness	5%	6%	6%	5%	5%	5%
12. Miscellaneous	4%	4%	6%	6%	7%	7%
13. Investments	0%	5%	5%	5%	5%	5%
<b>Total Net Spendable Income:</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
14. School/Child Care	no guideline percentages					

## Suggested Percentage Guidelines For Family Income

**(Married with No Children)**

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
<b>1. Tithe/Giving</b>	10%	10%	10%	10%	10%	10%
<b>2. Total Taxes</b>	<b>Use Current Monthly Taxes</b>					
<b>Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%</b>						
<b>3. Housing</b>	40%	36%	34%	32%	31%	30%
<b>4. Food</b>	15%	14%	13%	12%	11%	11%
<b>5. Transportation</b>	15%	14%	14%	13%	13%	13%
<b>6. Insurance</b>	5%	5%	5%	5%	5%	5%
<b>7. Debts</b>	5%	5%	5%	5%	5%	5%
<b>8. Entertainment/Recreation</b>	3%	4%	4%	5%	7%	7%
<b>9. Clothing</b>	4%	4%	5%	6%	6%	7%
<b>10. Savings</b>	4%	4%	4%	5%	5%	5%
<b>11. Health &amp; Wellness</b>	6%	6%	6%	6%	5%	5%
<b>12. Miscellaneous</b>	3%	4%	5%	6%	7%	7%
<b>13. Investments</b>	0%	4%	5%	5%	5%	5%
<b>Total Net Spendable Income:</b>	100%	100%	100%	100%	100%	100%
<b>14. School/Child Care</b>	no guideline percentages					

## Suggested Percentage Guidelines For Individual Income

**(Single with 1 Child)**

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
<b>1. Tithe/Giving</b>	10%	10%	10%	10%	10%	10%
<b>2. Total Taxes</b>	<b>Use Current Monthly Taxes</b>					
<b>Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%</b>						
<b>3. Housing</b>	40%	39%	39%	36%	34%	30%
<b>4. Food</b>	15%	14%	14%	13%	13%	12%
<b>5. Transportation</b>	15%	14%	14%	13%	13%	12%
<b>6. Insurance</b>	3%	3%	4%	4%	5%	5%
<b>7. Debts</b>	5%	5%	5%	5%	5%	5%
<b>8. Entertainment/Recreation</b>	3%	4%	4%	6%	6%	6%
<b>9. Clothing</b>	5%	5%	5%	6%	7%	7%
<b>10. Savings</b>	5%	5%	5%	5%	5%	5%
<b>11. Health &amp; Wellness</b>	6%	7%	6%	6%	6%	6%
<b>12. Miscellaneous</b>	3%	4%	4%	6%	6%	6%
<b>13. Investments</b>	0%	0%	0%	0%	0%	6%
<b>Total Net Spendable Income:</b>	100%	100%	100%	100%	100%	100%
<b>14. School/Child Care</b>	no guideline percentages					

## Suggested Percentage Guidelines For Individual Income

**(Single with No Children / Living Alone)**

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
<b>1. Tithe/Giving</b>	10%	10%	10%	10%	10%	10%
<b>2. Total Taxes</b>	<b>Use Current Monthly Taxes</b>					
<b>Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%</b>						
<b>3. Housing</b>	40%	38%	36%	34%	32%	30%
<b>4. Food</b>	6%	6%	7%	7%	7%	7%
<b>5. Transportation</b>	15%	15%	14%	14%	13%	13%
<b>6. Insurance</b>	4%	4%	4%	5%	5%	5%
<b>7. Debts</b>	5%	5%	5%	5%	5%	5%
<b>8. Entertainment/Recreation</b>	6%	6%	7%	7%	8%	9%
<b>9. Clothing</b>	5%	6%	6%	7%	8%	8%
<b>10. Savings</b>	5%	5%	5%	5%	5%	5%
<b>11. Health &amp; Wellness</b>	6%	5%	5%	5%	4%	4%
<b>12. Miscellaneous</b>	5%	6%	6%	6%	7%	7%
<b>13. Investments</b>	3%	4%	5%	5%	6%	7%
<b>Total Net Spendable Income:</b>	100%	100%	100%	100%	100%	100%
<b>14. School/Child Care</b>	no guideline percentages					

## Suggested Percentage Guidelines For Individual Income

**(Single with No Children / Living with Roommate)**

GROSS HOUSEHOLD INCOME:	25,000	35,000	45,000	55,000	85,000	125,000
1. Tithe/Giving	10%	10%	10%	10%	10%	10%
2. Total Taxes	Use Current Monthly Taxes					
<b>Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%</b>						
3. Housing	25%	24%	23%	22%	21%	20%
4. Food	6%	6%	6%	7%	7%	7%
5. Transportation	20%	19%	18%	16%	15%	13%
6. Insurance	4%	4%	4%	5%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	9%	9%	9%	9%	10%	10%
9. Clothing	7%	7%	7%	7%	7%	8%
10. Savings	8%	8%	9%	10%	10%	10%
11. Health & Wellness	6%	6%	6%	5%	5%	5%
12. Miscellaneous	5%	6%	6%	7%	7%	7%
13. Investments	5%	6%	7%	7%	8%	10%
<b>Total Net Spendable Income:</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
14. School/Child Care	no guideline percentages					

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## Percentage Spending Plan

<b>Gross Monthly Income</b>		<i>from Current Spending Plan:</i>	<b>3,648</b>	<b>43,776</b>
	Use appropriate % from "Percentage Guide"			Annual Income
<b>Income Deductions</b>	<b>Percentage</b>	x	<b>Gross Monthly Income</b>	= <b>Guideline Amount</b>
1. Tithe/Giving	10.0%	x	3,648	365
1. Total Taxes	<i>no guideline</i>		<i>actual from Current Spending Plan:</i>	141
<b>Net Spendable Income (NSI)</b>			<b>3,142</b>	<b>37,702</b>

Annual NSI

Expense Category	Percentage	x	Net Spendable Income	=	Guideline Amount
3. Housing	34%	x	3,142	=	1,068
4. Food	14%	x	3,142	=	440
5. Transportation	12%	x	3,142	=	377
6. Insurance	5%	x	3,142	=	157
7. Debts	5%	x	3,142	=	157
8. Entertainment/Recreation	4%	x	3,142	=	126
9. Clothing	6%	x	3,142	=	189
10. Savings	5%	x	3,142	=	157
11. Health & Wellness	7%	x	3,142	=	220
12. Miscellaneous	5%	x	3,142	=	157
13. Investments	3%	x	3,142	=	94
14. School/Child Care	<i>no guideline</i>				
<b>Total Percentages: (cannot exceed 100%)</b>			<b>100%</b>		
<b>Total Guideline Expenses: (cannot exceed Net Spendable Income)</b>					<b>3,142</b>

OK

Spending Plan	Current	Guideline	New Budget	Comments
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**INCOME vs. EXPENSE SUMMARY (calculated)**

Net Spendable Income	3,467		3,407
Less Total Expenses	4,505		3,407
Surplus or Deficit	(1,038)		0

**Monthly Income**

<b>Gross Monthly Income</b>	<b>3,648</b>		<b>3,648</b>
Monthly Salary	1,848		1,848
Child Support	1,800		1,800
Dividends			
Commissions			
Bonuses/Tips			
Retirement Income			
Net Business Income			
Other Income			

<b>LESS</b>			
<b>Category 1 - Tithe/Giving</b>	<b>40</b>	<b>365</b>	<b>100</b>

The Local Church	40		70
The Poor			30
Other Ministries			
Other Giving			

This would be a starting increase, not the intended finishing point. It is about a heart change, not a dollar amount.

<b>Category 2 - Taxes</b>	<b>141</b>	<b>141</b>	<b>141</b>
Taxes (Fed, State, Medicare, Social Security)	141		141
Other			

*do not include medical/dental premiums, retirement plans, HSA/FSA contributions, charity contributions that are taken out of the paycheck. Instead, include these deductions as expenses below*

<b>NET SPENDABLE INCOME</b>	<b>3,467</b>	<b>3,142</b>	<b>3,407</b>
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**Monthly Expenses**

<b>Category 3 - Housing</b>	<b>2,100</b>	<b>1,068</b>	<b>2,150</b>
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Mortgage(s) (from Debt List)	1,800		1,800
Extra Mortgage Payment			
Rent			
Insurance (included in mortgage)			
Property Taxes (included in mortgage)			
Electricity	150		150
Gas			
Water	60		60
Sanitation			
Telephone / Cell phone	45		45

could find something for 4 people for \$1000/month. (900 sqft, 2 bed, \$2000/month). Best option seems to be stay put in the house and find savings elsewhere.

This line is will make a balanced budget very difficult. On top of that, there are not many options to improve the situation. Refinancing makes no sense, the rate is already near historical low, closing costs would add to the principle, and extending the term would extend the time in indebtedness. Also, in my area, there is no way you could find something for 4 people for \$1000/month. (900 sqft, 2 bed, \$2000/month) Best option seems to be stay put in the house and find savings elsewhere.

This is actually a low combined gas/electric cost

Seems to be in line with family size  
Can this remain zero?

Reasonable for 1 phone, but investigate lower cost options

Spending Plan	Current	Guideline	New Budget	Comments
Maintenance			50	Really need to set money away here. I would dedicate this as a sinking fund, or this amount could be added to the emergency fund until that reaches a reasonable level Assumed need internet for kids in school. Does not seem exhorbanent. Investigate lower cost options
Internet / Cable Service	45		45	
Other				
<b>Category 4 - Food</b>	<b>800</b>	<b>440</b>	<b>600</b>	
Grocery	800		600	Would start with a challenge to get to 600. I believe there could be opportunities to get this lower
Other				
<b>Category 5 - Transportation</b>	<b>910</b>	<b>377</b>	<b>130</b>	
Auto Payment(s) (from Debt List)	530			Mindy simply can't afford the car she has. The auto costs WITHOUT the car payment is equal to her recommended expense. Suggest to sell the car and put the proceeds (estimated at \$4000) in the bank as a savings towards a used replacement car when her situation becomes more stable. Assume the kids can get to school by walking or free bus. Assume somebody can drive them to church and help with the grocery store. Assume Mindy takes the bus to work. Set asside a small amount as savings towards a car replacement.
Extra Auto Payment				
Gas & Oil	200			
Auto Insurance	150			
Licenses & Taxes	30			
Maintenance				
Replacement			30	
Other - Tolls/Parking/Transit Fares			100	
<b>Category 6 - Insurance</b>	<b>0</b>	<b>157</b>	<b>0</b>	
Life				Covered by father
Health/Dental				
Disability				
Other				
<b>Category 7 - Debts</b>	<b>415</b>	<b>157</b>	<b>415</b>	
Total Credit Cards (from Debt List)	155		155	I will leave the debts amount at its current level right now. Mindy is a strong candidate for a service like CCC. That would allow her to get out of debt faster with possibly a smaller monthly amount. Without knowing a term or rate, I can't come up with an alternative amount on my own.
Total Other Debt (from Debt List)	260		260	
Extra Debt Payments				
<b>Category 8 - Entertainment &amp; Recreation</b>	<b>220</b>	<b>126</b>	<b>60</b>	
Eating Out / Lunches	150		20	This needs to be a treat for the family once a month, not an every day lunch thing. Mindy needs to find alternatives, trading baby sitting with other mothers, church options. Should only be an expense as a last resort.
Baby Sitters	30			
Activities / Trips Vacation				
Pets	40		40	While her budget could certainly use another \$40/month, I am not about to tell her and her kids to get rid of the dog. Need to be careful in this area with vet bills.
Hobbies and Sports Other				

Spending Plan	Current	Guideline	New Budget	Comments
<b>Category 9 - Clothing</b>	<b>0</b>	<b>189</b>	<b>0</b>	
Children's Clothing Needs				Mindy will have to find ways to get second hand clothes from the church or elsewhere. But this area can't remain zero forever.
Husband/Wife Clothing Needs				
Other				
<b>Category 10 - Savings</b>	<b>0</b>	<b>157</b>	<b>22</b>	
Savings Account				Towards the emergency fund, she has to start somewhere
Credit Union			22	
Other				
<b>Category 11 - Health &amp; Wellness</b>	<b>0</b>	<b>220</b>	<b>0</b>	
Doctor				While the kids have coverage in this area, I assume that Mindy does not. This is a risk for her. She should look into the options at healthcare.gov.
Dentist				
Prescriptions				
Eye Glasses / Contacts				
Other				
<b>Category 12 - Miscellaneous</b>	<b>60</b>	<b>157</b>	<b>30</b>	
Toiletries / Cosmetics	20		10	Don't think you can make this zero While 20/month is not a lot, it has to go until she can improve her debt situation I am going to assume this cost is what it is, and doesn't have options
Beauty / Barber	20			
Laundry / Cleaning	20		20	
Allowances				
Subscriptions				
Gifts (including Christmas)				
Cash				
Other				
<b>Category 13 - Investments</b>	<b>0</b>	<b>94</b>	<b>0</b>	
Employer 401k/403b plans				Not ready at this point in her life.
Retirement IRAs				
College Funds				
Non-Retirement Stocks, Bonds, Mutual Funds				
Investment Real Estate				
Other				
<b>Category 14 - School/Child Care <sup>(1)</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	
School Tuition				Mindy will have to pursue gifts, scholarships, and skipping out on school activities with a cost
School Books, Supplies, Materials, etc				
Transportation				
Day Care				
Tutoring, Lessons for Music, Dance, etc				
Other				
<b>Total Expenses</b>	<b>4,505</b>	<b>3,142</b>	<b>3,407</b>	

(1) This category does not have a guideline amount.