

## 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. Terry 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 their old church. Mindy has stayed in the house, which is in a small city with limited public transit. They have one small dog.

Mindy is working 40 hours per week at a bookstore, where she earns just over the minimum wage. Mindy's sister has offered to watch the children while Mindy works. The church has helped with food and utility bills, but they 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. Mindy's 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 "comments" column.

**The questions below will be in the Assignment for Case Study A. They are listed here so you can be thinking 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 debts 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 reduce
4. Mindy's housing expense is significantly over the guideline. How would you help Mindy decide whether to keep
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:	3/1/24	Comments

ASSETS (Present Market Value)	Balance	
Cash On Hand (both husband and wife if married)	50.00	
Checking Accounts	250.00	
Savings Accounts	3,000.00	net proceeds from sale of home were \$6,000
Stocks and Bonds		We put in savings as emergency fund
Cash Value of Life Insurance		half was used on car trade
Valuable Collections (coins, stamps, etc.)		
Primary Home Value (look up value, e.g., zillow.com)	0.00	Sell the house and net \$26,000; \$20,000 used to retire all consumer debt which give relief in expense budget; then use \$3,000 on a auto and leave \$3,000 cash emergency fund
Other Real Estate		This frees up immediate cash to reduce debt and reduces monthly required housing expense.
Mortgages/Notes Receivable		
Automobile 1 (look up value, e.g., kbb.com) - 4 year-old Honda Accord	10,000.00	Honda is trade in for lower cost car
Automobile 2 (look up value, e.g., kbb.com)		Cheaper used car has lower monthly pymt
Automobile 3 (look up value, e.g., kbb.com)		
Personal Property (Furniture, Jewelry, etc.)	20,000.00	review these possessions for possible sale to generate cash for the emergency fund and pay off car loan
Retirement Savings (401k, 403b, , IRAs, Pension, etc.)		The goal is to reduce monthly debt payments.
College Savings		
Other Assets		
<b>Total Assets:</b>	<b>33,300.00</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	0.00	23.0%	0	0.00
Citibank Visa	Various	0.00	20.0%	0	0.00
Capital One Mastercard	Various	0.00	21.0%	0	0.00
<b>Total Credit Cards</b>		<b>0.00</b>			<b>0.00</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	0.00	6.0%	0	0.00

Pay off with proceeds of home sale to reduce burden on monthly exp budget

Pay off with proceeds of home sale to reduce burden on monthly exp budget

Pay off with proceeds of home sale to reduce burden on monthly exp budget

trade in for lower cost car to relieve burden on monthly exp budget

	used car	87.75	6.5%		3,700.00	Traded to get lower payments also put \$3,000 from sale of home as dwn pymt on car
						May be able to pay off if some personal property is able to be sold.
<b>Total Auto Loans</b>		<b>87.75</b>			<b>3,700.00</b>	
<b>HOME MORTGAGES (includes home equity loans or lines of credit)</b>						
<b>Mortgage Service Company</b>	<b>Property Address</b>	<b>Minimum Monthly Payment</b>	<b>Interest Rate</b>	<b>Months Past Due</b>	<b>Balance Due</b>	
My Town Credit Union	18 Oak Court	0.00	4.0%	0	0.00	sell home and net \$26,000 use proceeds to pay off debt, put down pymt on cheaper car and create emergency fund
<b>Total Home Mortgages</b>		<b>0.00</b>			<b>0.00</b>	
<b>OTHER DEBT (education, medical, personal, business, legal, IRS, etc.)</b>						
<b>Who</b>	<b>Type of Debt (medical, education, etc.)</b>	<b>Minimum Monthly Payment</b>	<b>Interest Rate</b>	<b>Months Past Due</b>	<b>Balance Due</b>	
Best Finance	Debt Consolidation Loan	0.00	10.00%		0.00	Pay off with proceeds of home sale to reduce burden on monthly exp budget
<b>Total Other Debt</b>		<b>0.00</b>			<b>0.00</b>	

<b>Total Liabilities/Debts</b>	<b>3,700.00</b>
<b>NET WORTH (Total Assets minus Total Liabilities/Debts)</b>	<b>29,600.00</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
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	40%	36%	34%	32%	31%	30%
4. Food	15%	14%	13%	12%	11%	11%
5. Transportation	15%	14%	14%	13%	13%	13%
6. Insurance	5%	5%	5%	5%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	3%	4%	4%	5%	7%	7%
9. Clothing	4%	4%	5%	6%	6%	7%
10. Savings	4%	4%	4%	5%	5%	5%
11. Health & Wellness	6%	6%	6%	6%	5%	5%
12. Miscellaneous	3%	4%	5%	6%	7%	7%
13. Investments	0%	4%	5%	5%	5%	5%
<b>Total Net Spendable Income:</b>	100%	100%	100%	100%	100%	100%

14. School/Child Care 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>	Use Current Monthly Taxes					
<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
<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>	25%	24%	23%	22%	21%	20%
<b>4. Food</b>	6%	6%	6%	7%	7%	7%
<b>5. Transportation</b>	20%	19%	18%	16%	15%	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>	9%	9%	9%	9%	10%	10%
<b>9. Clothing</b>	7%	7%	7%	7%	7%	8%
<b>10. Savings</b>	8%	8%	9%	10%	10%	10%
<b>11. Health &amp; Wellness</b>	6%	6%	6%	5%	5%	5%
<b>12. Miscellaneous</b>	5%	6%	6%	7%	7%	7%
<b>13. Investments</b>	5%	6%	7%	7%	8%	10%
<b>Total Net Spendable Income:</b>	100%	100%	100%	100%	100%	100%
<b>14. School/Child Care</b>	no guideline percentages					

Revised Oct 29, 2022

## 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>=</b>
				<b>Guideline Amount</b>
1. Tithe/Giving	10.0%	x	3,648	<b>365</b>
1. Total Taxes	<i>no guideline</i>		<i>actual from Current Spending Plan:</i>	<b>141</b>
<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	32%	x	3,142	=	1,005
4. Food	13%	x	3,142	=	408
5. Transportation	13%	x	3,142	=	408
6. Insurance	5%	x	3,142	=	157
7. Debts	5%	x	3,142	=	157
8. Entertainment/Recreation	5%	x	3,142	=	157
9. Clothing	5%	x	3,142	=	157
10. Savings	5%	x	3,142	=	157
11. Health & Wellness	6%	x	3,142	=	189
12. Miscellaneous	6%	x	3,142	=	189
13. Investments	5%	x	3,142	=	157
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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<b>INCOME vs. EXPENSE SUMMARY (calculated)</b>
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<b>Net Spendable Income</b>	<b>3,467</b>		<b>3,226</b>	
<b>Less Total Expenses</b>	<b>1,848</b>		<b>3,226</b>	
<b>Surplus or Deficit</b>	<b>1,619</b>		<b>0</b>	

Recommend Mindy approach her employer and ask for 5.5% raise or look for another job that would at least get her annual salary from \$22,176 to \$23,400 for the short term. She will need to review her options for training to secure higher income in the long term. This seems like a reasonable goal to achieve going from \$10.66 an hour to \$11.25 for the short term only.

She must determine what gifting or talent she has and use it to increase her income.

<b>Monthly Income</b>
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<b>Gross Monthly Income</b>	<b>3,648</b>		<b>3,750</b>	
Monthly Salary	1,848		1,950	new income with estimated 5.5% raise or new job for short term
Child Support	1,800		1,800	
Dividends				Mindy must actively pursue new job to increase income. Training may be required. A skills assessment would be helpful in addition to the MLI and PID.
Commissions				
Bonuses/Tips				For expenses we used guideline % for married with 2 children to get to 4 person approx exp level at \$45,000
Retirement Income				
Net Business Income				We will have a discussion about needs, wants and desires to help process.
Other Income				
LESS				
<b>Category 1 - Tithes/Giving</b>	<b>40</b>	<b>365</b>	<b>375</b>	
The Local Church	40		375	moving tithes to 10% of income to align with Biblical principals match beliefs with behaviors
The Poor				
Other Ministries				
Other Giving				
<b>Category 2 - Taxes</b>	<b>141</b>	<b>141</b>	<b>149</b>	
Taxes (Fed, State, Medicare, Social Security)	141		149	keeping tax on new income at same rate of 7.6%
Other				
<small>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</small>				
<b>NET SPENDABLE INCOME</b>	<b>3,467</b>	<b>3,142</b>	<b>3,226</b>	

<b>Monthly Expenses</b>
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<b>Category 3 - Housing</b>	<b>300</b>	<b>1,005</b>	<b>1,406</b>	
Mortgage(s) (from Debt List)	0		0	Sell home and use proceeds to pay down debt, create emergency fund, pay on car. Reflects moving from home to rental in my market area
Extra Mortgage Payment				
Rent			1,200	Renters insurance
Insurance (included in mortgage)			21	
Property Taxes (included in mortgage)				Reflects moving to apt from larger household
Electricity	150		100	
Gas				

Sell home and use proceeds to pay down debt, create emergency fund, pay on car. Reflects moving from home to rental in my market area

Renters insurance

Reflects moving to apt from larger household

Spending Plan	Current	Guideline	New Budget	Comments
Water	60		40	Reflects moving to apt from larger household
Sanitation				
Telephone / Cell phone	45		45	still need phone to communicate
Maintenance				
Internet / Cable Service	45		0	Mindy needs to discontinue internet/cable until income is increased
Other				Usually available for free at local library
<b>Category 4 - Food</b>	<b>800</b>	<b>408</b>	<b>800</b>	
Grocery	800		800	This is still less then nat'l average of \$980 at the low end of stats and also expecting lunches to come out of this. Church cannot contine to provide food indefinitely.
Other				
<b>Category 5 - Transportation</b>	<b>468</b>	<b>408</b>	<b>360</b>	
Auto Payment(s) (from Debt List)	88		88	
Extra Auto Payment				
Gas & Oil	200		150	this is fluid for now it may or may not be realistic
Auto Insurance	150		75	lower due to lower value car and raise deductible
Licenses & Taxes	30		10	cost of license & reg drop as auto ages (in Indiana anyway)
Maintenance			37	possibly more repairs for older vehicle
Replacement				
Other - Tolls/Parking/Transit Fares				
<b>Category 6 - Insurance</b>	<b>0</b>	<b>157</b>	<b>425</b>	
Life			425	Mindy needs health insurance
Health/Dental				This is ave cost for 30+ year olf
Disability				May reduce if she finds a job with benefits
Other				
<b>Category 7 - Debts</b>	<b>0</b>	<b>157</b>	<b>0</b>	
Total Credit Cards (from Debt List)	0		0	
Total Other Debt (from Debt List)	0		0	
Extra Debt Payments				sale of home paid off current debts
<b>Category 8 - Entertainment &amp; Recreation</b>	<b>220</b>	<b>157</b>	<b>25</b>	
Eating Out / Lunches	150		25	reduce and start taking lunch from home
Baby Sitters	30		0	Not an option please use family or friends
Activities / Trips				
Vacation				
Pets	40		0	Pet is not an option until income increases
Hobbies and Sports				
Other				
<b>Category 9 - Clothing</b>	<b>0</b>	<b>157</b>	<b>50</b>	
Children's Clothing Needs			50	shop at thrift/consignment/used clothing shops
Husband/Wife Clothing Needs				
Other				
<b>Category 10 - Savings</b>	<b>0</b>	<b>157</b>	<b>100</b>	

Spending Plan	Current	Guideline	New Budget	Comments
Savings Account Credit Union Other			100	start an emergency fund
<b>Category 11 - Health &amp; Wellness</b>	<b>0</b>	<b>189</b>	<b>0</b>	
Doctor Dentist Prescriptions Eye Glasses / Contacts Other				Will need to use emergency fund for the short term
<b>Category 12 - Miscellaneous</b>	<b>60</b>	<b>189</b>	<b>60</b>	
Toiletries / Cosmetics Beauty / Barber Laundry / Cleaning Allowances Subscriptions Gifts (including Christmas) Cash Other	20 20 20		20 20 20	continue as before for now
<b>Category 13 - Investments</b>	<b>0</b>	<b>157</b>	<b>0</b>	
Employer 401k/403b plans Retirement IRAs College Funds Non-Retirement Stocks, Bonds, Mutual Funds Investment Real Estate Other				not able to do until income increases
<b>Category 14 - School/Child Care <sup>(1)</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	
School Tuition School Books, Supplies, Materials, etc Transportation Day Care Tutoring, Lessons for Music, Dance, etc Other				
<b>Total Expenses</b>	<b>1,848</b>	<b>3,142</b>	<b>3,226</b>	

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