

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 reduce her debt payments?
4. Mindy's housing expense is significantly over the guideline. How would you help Mindy decide whether to rent her house or sell it?
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	\$250,000 mortgage is remaining.
Other Real Estate		
Mortgages/Notes Receivable		
Automobile 1 (look up value, e.g., kbb.com) - 4 year-old Honda Accord	22,000.00	\$18,000 loans is remaining.
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	How is the personal property divided? Is this jewelry or anything that can be sold?
Retirement Savings (401k, 403b, IRAs, Pension, etc.)		
College Savings		
Other Assets		
Total Assets:	342,300.00	

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	CCC could possibly help reduce this (3) credit card interest rate and maonthly payment.
Citibank Visa	Various	65.00	20.0%	0	5,500.00	
Capital One Mastercard	Various	40.00	21.0%	0	2,500.00	
Total Credit Cards		155.00			12,000.00	

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	What is the valve of the car?

Total Auto Loans		530.00			18,000.00	
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	What is the value of the home?
Total Home Mortgages		1,800.00			250,000.00	
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	100.00	10.00%		8,000.00	Mindy needs to get in touch with Best Finance to let them know that she won't be able to make the minimum payment for the next few months. Once she figures out the savings from CCC about her credit card debt, she will go back to making the minimum payment to Best Finance. Best Finance has a lower interest rate compared to the other three credit cards. Mindy will be paying \$100 per month, not \$260.
Total Other Debt		100.00			8,000.00	

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

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)

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					

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

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

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					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
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%
Total Net Spendable Income:	100%	100%	100%	100%	100%	100%
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					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
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%
Total Net Spendable Income:	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
1. Tithe/Giving	10%	10%	10%	10%	10%	10%
2. Total Taxes	Use Current Monthly Taxes					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
3. Housing	40%	39%	39%	36%	34%	30%
4. Food	15%	14%	14%	13%	13%	12%
5. Transportation	15%	14%	14%	13%	13%	12%
6. Insurance	3%	3%	4%	4%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	3%	4%	4%	6%	6%	6%
9. Clothing	5%	5%	5%	6%	7%	7%
10. Savings	5%	5%	5%	5%	5%	5%
11. Health & Wellness	6%	7%	6%	6%	6%	6%
12. Miscellaneous	3%	4%	4%	6%	6%	6%
13. Investments	0%	0%	0%	0%	0%	6%
Total Net Spendable Income:	100%	100%	100%	100%	100%	100%
14. School/Child Care	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
1. Tithe/Giving	10%	10%	10%	10%	10%	10%
2. Total Taxes	Use Current Monthly Taxes					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
3. Housing	40%	38%	36%	34%	32%	30%
4. Food	6%	6%	7%	7%	7%	7%
5. Transportation	15%	15%	14%	14%	13%	13%
6. Insurance	4%	4%	4%	5%	5%	5%
7. Debts	5%	5%	5%	5%	5%	5%
8. Entertainment/Recreation	6%	6%	7%	7%	8%	9%
9. Clothing	5%	6%	6%	7%	8%	8%
10. Savings	5%	5%	5%	5%	5%	5%
11. Health & Wellness	6%	5%	5%	5%	4%	4%
12. Miscellaneous	5%	6%	6%	6%	7%	7%
13. Investments	3%	4%	5%	5%	6%	7%
Total Net Spendable Income:	100%	100%	100%	100%	100%	100%
14. School/Child Care	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					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
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%
Total Net Spendable Income:	100%	100%	100%	100%	100%	100%
14. School/Child Care	no guideline percentages					

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Percentage Spending Plan

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

Annual NSI

Expense Category	Percentage	x	Net Spendable Income	=	Guideline Amount
3. Housing	39%	x	3,142	=	1,225
4. Food	14%	x	3,142	=	440
5. Transportation	14%	x	3,142	=	440
6. Insurance	4%	x	3,142	=	126
7. Debts	5%	x	3,142	=	157
8. Entertainment/Recreation	4%	x	3,142	=	126
9. Clothing	5%	x	3,142	=	157
10. Savings	5%	x	3,142	=	157
11. Health & Wellness	6%	x	3,142	=	189
12. Miscellaneous	4%	x	3,142	=	126
13. Investments	0%	x	3,142	=	-
14. School/Child Care	<i>no guideline</i>				
Total Percentages: (cannot exceed 100%)			100%		
Total Guideline Expenses: (cannot exceed Net Spendable Income)					3,142

OK

Spending Plan	Current	Guideline	New Budget	Comments
INCOME vs. EXPENSE SUMMARY (calculated)				
Net Spendable Income	3,467		3,470	Mindy will need to make quick decisions about her credit cards, housing, and car expenses. She must manage these three items to create a balanced new budget and increase funds needed in other temporarily reduced categories such as food, debt, car usage, saving, internet, health, and wellness.
Less Total Expenses	4,345		3,470	
Surplus or Deficit	(878)		0	
Monthly Income				
Gross Monthly Income	3,648		3,648	<p>Make sure to apply for the Child Tax Credit, and Earned Income Tax Credit during tax time.</p> <p>Look for a new job with higher pay and consider working extra hours if possible. However, it's important to prioritize time with the children, who may be dealing with emotions due to the divorce.</p>
Monthly Salary	1,848		1,848	
Child Support	1,800		1,800	
Dividends				
Commissions				
Bonuses/Tips				
Retirement Income				
Net Business Income				
Other Income				
LESS				
Category 1 - Tithe/Giving	40	365	37	
The Local Church	40		37	
The Poor				
Other Ministries				
Other Giving				
Category 2 - Taxes	141	141	141	
Taxes (Fed, State, Medicare, Social Security)	141		141	
Other				
<i>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</i>				
NET SPENDABLE INCOME	3,467	3,142	3,470	
Monthly Expenses				
Category 3 - Housing	2,100	1,225	1,995	<p>The house has a value of \$300,000 and \$250,000 of the mortgage is remaining. The house sale would cost about 8-10% or about \$24,000-\$30,000. This would leave Mindy with about \$26,000 to \$20,000 of cash.</p> <p>The house is more than 25% of her income. 25% of \$3648 is \$867. \$1,800 is 52% of the gross income. She needs to be looking at reducing her housing expenses.</p>
Mortgage(s) (from Debt List)	1,800		1,800	
Extra Mortgage Payment				
Rent				
Insurance (included in mortgage)				
Property Taxes (included in mortgage)				

Spending Plan	Current	Guideline	New Budget	Comments
Electricity	150		105	Mindy will need to be conservative with electricity as much as possible. All savings will be used for other categories. Set a goal of reducing electric usage by 10-20%. There should be a reduction since she will not be at home during the day. Mindy will need to be conservative with water as much as possible. All savings will be used for other categories. Set a goal of reducing water usage by 10-20%. Cable/cable service will need to go for now. The Cell phone will need to be used as a backup to the internet.
Gas				
Water	60		45	
Sanitation				
Telephone / Cell phone	45		45	
Maintenance				
Internet / Cable Service	45		0	
Other				
Category 4 - Food	800	440	400	
Grocery	800		400	Check the availability of food pantries in the area. This will be needed until Mindy sees the savings from CCC and makes a decision about the house and car.
Other				
Category 5 - Transportation	910	440	780	
Auto Payment(s) <i>(from Debt List)</i>	530		530	
Extra Auto Payment				The car has a value of \$22,000 and \$18,000 of the loan is remaining. Mindy needs to look into getting a little cheaper car for a little less monthly payment. Driving will only need to be for necessities until Mindy sees the savings from CCC and makes a decision about the house and car.
Gas & Oil	200		100	
Auto Insurance	150		150	
Licenses & Taxes	30		0	
Maintenance				
Replacement				Licenses and taxes will be taken from the checking account when due. However, the plan is this money will be from the savings from CCC and make a decision about the house and car.
Other - Tolls/Parking/Transit Fares				
Category 6 - Insurance	0	126	0	
Life				Since Terry is carrying the children on his life insurance, Mindy should delay purchasing life insurance for a while. Mindy must check out her medical needs with a sharing group (no-profit) and check if she qualifies for subsidized medical plans at healthcare.gov . Since it is only for her, she could consider a higher deductible medical plan.
Health/Dental			0	
Disability				
Other				
Category 7 - Debts	255	157	255	
Total Credit Cards <i>(from Debt List)</i>	155		155	
Total Other Debt <i>(from Debt List)</i>	100		100	
Extra Debt Payments				Mindy should use the snowball debt method to stay focused and be encouraged quickly. Mindy should consider using CCC since she has more than \$4,000 in credit card debt.
Category 8 - Entertainment & Recreation	220	126	0	

Spending Plan	Current	Guideline	New Budget	Comments
Eating Out / Lunches	150		0	Eating out will need to stop for a while. Allow your sister to babysit while you work for a while. You could consider to cost of having a pet and focus on the kids.
Baby Sitters	30		0	
Activities / Trips				
Vacation				
Pets	40		0	
Hobbies and Sports				
Other				
Category 9 - Clothing	0	157	0	
Children's Clothing Needs				
Husband/Wife Clothing Needs				
Other				
Category 10 - Savings	0	157	0	
Savings Account			0	If Mindy used CCC for her credit card debts, she could have funds available to start saving \$1,000 emergency.
Credit Union				
Other				
Category 11 - Health & Wellness	0	189	0	
Doctor				
Dentist				
Prescriptions				
Eye Glasses / Contacts				
Other				
Category 12 - Miscellaneous	60	126	40	
Toiletries / Cosmetics	20		20	Mindy has been doing great in this area. There is a surplus of \$66 in this area. Since the kids are young, she can manage to cut their hair for a few more years.
Beauty / Barber	20		0	
Laundry / Cleaning	20		20	
Allowances				
Subscriptions				
Gifts (including Christmas)				
Cash				
Other				
Category 13 - Investments	0	0	0	
Employer 401k/403b plans				
Retirement IRAs				
College Funds				
Non-Retirement Stocks, Bonds, Mutual Funds				
Investment Real Estate				
Other				
Category 14 - School/Child Care ⁽¹⁾	0	0	0	
School Tuition				Mindy will need to seek non-profits, churches, and other agencies for free books and supplies since her children are about to start school.
School Books, Supplies, Materials, etc				
Transportation				

Spending Plan	Current	Guideline	New Budget	Comments
Day Care Tutoring, Lessons for Music, Dance, etc Other				
Total Expenses	4,345	3,142	3,470	

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

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