

## 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 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 debt 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 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)

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%
<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>	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	<b>Use Current Monthly Taxes</b>					
<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>	<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 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
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%	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%
<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 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					

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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>	<b>x</b>	<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	38%	x	3,142	=	1,194
4. Food	15%	x	3,142	=	471
5. Transportation	14%	x	3,142	=	440
6. Insurance	5%	x	3,142	=	157
7. Debts	5%	x	3,142	=	157
8. Entertainment/Recreation	4%	x	3,142	=	126
9. Clothing	5%	x	3,142	=	157
10. Savings	4%	x	3,142	=	126
11. Health & Wellness	7%	x	3,142	=	220
12. Miscellaneous	3%	x	3,142	=	94
13. Investments	0%	x	3,142	=	-
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
<b>INCOME vs. EXPENSE SUMMARY (calculated)</b>				
Net Spendable Income	3,467		4,202	If Mindy reported the net income number, I would recommend she report gross instead.  My tithe is based on gross income (Mindy's only)--see question below--and the rest is based on guideline figures.
Less Total Expenses	4,505		4,202	
Surplus or Deficit	(1,038)		0	
<b>Monthly Income</b>				
Gross Monthly Income	3,648		4,523	
Monthly Salary	1,848		1,848	
Child Support	1,800		1,800	
Dividends				
Commissions				
Bonuses/Tips				
Retirement Income				
Net Business Income				
Other Income			875	Why? Generate extra income How? This extra income could be generated by sister paying rent (see below) \$375 + buying an older higher mileage car (see below) for a savings of \$530 car payment + about \$70 less for auto insurance and tax. (See expanded explanations under mortgage and automobile below.) Another area to explore would be to see if there is any personal property (worth \$20,000) that Mindy might be able to sell.
LESS				
Category 1 - Tithe/Giving	40	365	180	
The Local Church	40		180	I'm thinking Mindy would tithe 10% of her wage. I'm unsure if she should also tithe on child support. I would like to discuss this more. On the one hand, it is income; on the other, is Terry tithing from this amount? I'm not sure how Crown would counsel. Verse to apply "For where your treasure is, there your heart will be also." Matt. 6:21 "Do not be anxious for tomorrow..." Matt. 6:25-34
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>				
<b>NET SPENDABLE INCOME</b>	<b>3,467</b>	<b>3,142</b>	<b>4,202</b>	
<b>Monthly Expenses</b>				
Category 3 - Housing	2,100	1,194	2,100	
Mortgage(s) (from Debt List)	1,800		1,800	
Extra Mortgage Payment				

Spending Plan	Current	Guideline	New Budget	Comments
Rent				<p>Why? Staying in the family home, as things are, is not ideal financially; however, the numbers are not far off, and it would be stabilizing for her and the children to be able to stay in their home for the short term. Also, I don't think Mindy would be able to rent for less than her mortgage payment. My concern would be the issue of being able to keep up with maintenance and large repairs. How? One option might be for Mindy's sister (or another single woman) to live with her and the children. The sister (or friend or college student) could pay a lesser rent than she would pay at an apartment complex (I budgeted for \$375 rent) and child care in exchange for a nice place to live. When she does have repairs/upkeep, perhaps she could ask if her church has resources or know of resources of people who could help. Mindy could also check to see if she can get less expensive Internet (probably not) and cell phone. Perhaps a family member would add her to their plan or she could get a prepaid phone; however, this won't realize much cost savings. This is a good short-term solution that could turn into a long-term solution. A better long-term solution would be to see if Mindy and the children could move in with family or friends while she takes a 6-24 month course at a technical college. This plan could provide a long-term solution if she entered a well-paid career that paid for health insurance. For example, graduates with a one-year sonographer certificate earn an average of \$60,000 per year. Selling her house would also allow her the extra funds to pay for a medi-share plan while she was in school. If there is no one she could move in with, she could sell the house and sign a one-year rental and live off the approximately \$50,000 while she went to tech school.</p>
Insurance (included in mortgage)				
Property Taxes (included in mortgage)				
Electricity	150		150	
Gas				
Water	60		60	
Sanitation				
Telephone / Cell phone	45		45	
Maintenance				
Internet / Cable Service	45		45	
Other				
<b>Category 4 - Food</b>	<b>800</b>	<b>471</b>	<b>471</b>	
Grocery	800		471	<p>Why? Food is way over, even though this calculation is based on the guideline for another adult and one more child. How? It would be good to have a conversation about how Mindy might save grocery money (food and brand choices, sales, buying less ready-made products, etc.). More information is needed from Mindy to find out why this number is so high. This is a long-term solution (change of habits).</p>
Other				
<b>Category 5 - Transportation</b>	<b>910</b>	<b>440</b>	<b>950</b>	
Auto Payment(s) (from Debt List)	530		530	
Extra Auto Payment				

Spending Plan	Current	Guideline	New Budget	Comments
Gas & Oil	200		200	Why? Auto is way over. Unfortunately, \$530 is too much for Mindy to pay on her car loan. How? She probably needs to sell her car and buy a less expensive used car. After repaying the car note, Mindy would only have \$4,000 to buy a car, which would buy an older vehicle with about 80,000 on it, in my market. Her auto insurance and taxes would be less on an older model, which would help too. I did not change these figures since the auto payment is locked; however, that would give her an extra \$600 or so a month. This is a short-term solution, as Mindy will eventually need to replace the car. Perhaps by then she will be in a higher-paid job (esp. if she gets technical training).
Auto Insurance	150		150	
Licenses & Taxes	30		30	
Maintenance			40	Mindy will want to start budgeting for car maintenance--especially if she buys an older, higher mileage car. Long-term habit
Replacement				
Other - Tolls/Parking/Transit Fares				
<b>Category 6 - Insurance</b>	<b>0</b>	<b>157</b>	<b>0</b>	
Life				I don't think Mindy needs life insurance at this time since, I assume, Terry has joint custody and could take care of the children with his salary if something happened to Mindy.
Health/Dental				As soon as Mindy finds a more affordable housing and transportation situation, she needs to have health insurance. Why? Accidents and illness can result in high medical bills. How? Sign up for a Samaritan Ministries health share program that is \$145 per month.
Disability				
Other				
<b>Category 7 - Debts</b>	<b>415</b>	<b>157</b>	<b>415</b>	
Total Credit Cards (from Debt List)	155		155	
Total Other Debt (from Debt List)	260		260	
Extra Debt Payments				I would suggest that Mindy speak with CCC about combining and lowering her payments. She should not make extra debt payments at this time.
<b>Category 8 - Entertainment &amp; Recreation</b>	<b>220</b>	<b>126</b>	<b>70</b>	
Eating Out / Lunches	150			Why? Spending money on eating out is not money Mindy has at this time. How? Mindy could stop eating out for lunch altogether (pack a lunch) at least for the short term. Perhaps later an occasional workday lunch would fit in her budget.
Baby Sitters	30		30	She may need baby sitting money in the budget in case her sister is unavailable when she needs to go to an appointment, etc.
Activities / Trips				
Vacation				
Pets	40		40	Why? They may need to take a hard look about whether to keep their pet because of the expense. However, I left it in the budget for now, since the children already have a lot of changes in their lives. How? Would a neighbor or family member adopt the dog so they could regularly visit?
Hobbies and Sports				
Other				

Spending Plan	Current	Guideline	New Budget	Comments
<b>Category 9 - Clothing</b>	<b>0</b>	<b>157</b>	<b>20</b>	
Children's Clothing Needs			20	Why? The children will grow and need clothing. How? Mindy will need to budget some money, even if she also uses a clothing closet. For now, Mindy should try to make do with the clothing she has.
Husband/Wife Clothing Needs				
Other				
<b>Category 10 - Savings</b>	<b>0</b>	<b>126</b>	<b>126</b>	
Savings Account			126	Why? Mindy only \$300 in cash and checking. She really needs to start a savings account for emergencies. How? Her first goal should be to save \$1,000.
Credit Union				
Other				
<b>Category 11 - Health &amp; Wellness</b>	<b>0</b>	<b>220</b>	<b>0</b>	
Doctor				Terry will take care of these expenses.
Dentist				
Prescriptions				
Eye Glasses / Contacts				
Other				
<b>Category 12 - Miscellaneous</b>	<b>60</b>	<b>94</b>	<b>50</b>	
Toiletries / Cosmetics	20		20	Why? This is an fairly easy area to save money. How? Mindy could try to find a friend who would cut her hair and learn to cut the children's hair.
Beauty / Barber	20			
Laundry / Cleaning	20		20	
Allowances				Why? Mindy should try to save a little for gifts for her children. How? Since they are young, Dollar Tree gifts, homemade gifts, or even homemade "gift cards" for things like a trip to the ice cream shop could help her dollars stretch. She could also look for community Christmas gift charities, if her income qualifies.
Subscriptions				
Gifts (including Christmas)			10	
Cash				
Other				
<b>Category 13 - Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Employer 401k/403b plans				This is not the time for Mindy to invest. She should wait until she is out of debt.
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				For now, she does not have these expenses, since her sister is watching the children.
School Books, Supplies, Materials, etc				
Transportation				

Spending Plan	Current	Guideline	New Budget	Comments
Day Care Tutoring, Lessons for Music, Dance, etc Other				
<b>Total Expenses</b>	<b>4,505</b>	<b>3,142</b>	<b>4,202</b>	

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

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