

CASE STUDY A

Terry Smith is 35 years old and his wife, Mindy, is 33. They recently celebrated wedding anniversary. They have three children, ages 3, 5, and 8. Terry is a CPA never worked outside of the home, although she completed one year of college. Mindy have been attending a large church since they were married. Terry sings and Mindy is active in children's Sunday school. On the surface it appears that this is a well-adjusted family. They have a comfortable house, new cars, and enjoy good food. One week Terry announced to Mindy that he wanted a divorce. He said he did not love her anymore and that he wanted to marry Cindy, a lady who also sings in the church. Terry had already met with an attorney to begin divorce proceedings. The church quickly followed the steps outlined in Matthew 18:15-17. But Terry and Cindy are not ready to want nothing to do with the church. They will be moving to another state next month. When the divorce becomes final, Mindy will have the following situation.

- She was awarded the \$110,000 house.
 - She was awarded all personal belongings - furniture, toys, clothes.
 - She will receive child support of \$200 per month per child until each child reaches age 18.
 - She was given the Honda Accord, which has a loan against it.
- jointly.
expenses the health insurance doesn't pay, plus all dental and prescription drug expenses for the children.
- Terry is to carry life insurance on himself in the amount of \$250,000 with the children as the beneficiary until the youngest child reaches age 21.
 - No alimony was awarded.
 - Mindy was awarded the exemptions of the children for income tax purposes.
 - Mindy is working 40 hours per week at a bookstore, where she earns minimum wage.
 - Mindy's sister has offered to watch the children while Mindy works. The church has helped pay utility bills.

The questions below will be in the Test 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 biblical principles could help Mindy manage her debts and settle any inclination about debtors bankruptcy?
2. What should Mindy do about her house/payment?
3. What actions could Mindy take to reduce her debt payments?
4. What actions could Mindy take to address her financial picture?

5. What actions should Mindy take to secure some type of health insurance?
6. What actions should Mindy take to take advantage of any deductions on her federal and/or state taxes?
7. What actions should Mindy take to help her adjust to her new lifestyle and her resulting emotional state?
8. What things could go wrong with Terry and/or her creditors, and what should Mindy be prepared for?

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.

LIABILITIES / DEBT LIST ¹

CREDIT CARDS	What Was Purchased	Minimum Monthly Payments
Sears		\$112.00
Visa		\$148.00
Master Card		\$68.00
Total Credit Cards		\$328.00
AUTO LOANS		
Automobile Loans		\$341.00
Total Auto Loans		\$341.00
HOME MORTGAGES		
Home Mortgages		\$660.00
Total Home Mortgages		\$660.00
OTHER DEBT (education, medical, personal, business, legal, IRS, etc.)		
Best Finance		\$232.00
Total Other Debt		\$232.00

Interest Rate	Past Due?	Balance Due
18.0%		\$4,000.00
13.0%		\$5,500.00
12.8%		\$2,500.00
		\$12,000.00
16.0%		\$10,000.00
		\$10,000.00
8.0%		\$89,600.00
		\$89,600.00
17.0%		\$8,000.00
		\$8,000.00

Spending Plan	Current
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INCOME vs. EXPENSE SUMMARY (calculated)	
Net Spendable Income	\$1,730
Less Total Expenses	\$2,749
Surplus or Deficit	(\$1,019)

Monthly Income	
GROSS MONTHLY INCOME	\$1,835
Monthly Salary	\$1,235
Child Support	\$600
Dividends	\$0
Commissions	\$0
Bonuses/Tips	\$0
Retirement Income	\$0
Net Business Income	\$0
Other Income	\$0
LESS	
Category 1 - Tithing (monthly)	\$10
The Local Church	\$10
The Poor	\$0
Other Ministries	\$0
Other Giving	\$0
Category 2 - Taxes (monthly)	\$95
Taxes (Fed, State, Medicare, Social Security)	\$95
Other	0
<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>	
NET SPENDABLE INCOME (monthly)	\$1,730

Monthly Expenses	
Category 3 - Housing (monthly)	\$1,000
Mortgage(s) (from Debt List)	\$650
Rent	\$0
Insurance	\$30
Property Taxes	\$90
Electricity	\$150
Gas	\$0
Water	\$25
Sanitation	\$0
Telephone / Cell phone	\$45
Maintenance	\$0
Internet / Cable Service	\$0
Other	\$0
Category 4 - Food (monthly)	\$300
Grocery	\$300
Other	\$0
Category 5 - Transportation (monthly)	\$479
Auto Payment(s) (from Debt List)	\$341
Gas & Oil	\$100
Auto Insurance	\$28
Licenses & Taxes	\$10
Maintenance	\$0
Replacement	\$0
Other - Tolls/Parking/Transit Fares	\$0
Category 6 - Insurance (monthly)	\$100
Life	\$0
Health/Dental	\$100
Disability	\$0
Other	\$0
Category 7 - Debts (monthly)	\$560
Total Credit Cards (from Debt List)	\$328
Total Other Debt (from Debt List)	\$232
Extra Debt Payments	\$0
Category 8 - Entertainment & Recreation (monthly)	\$100
Eating Out / Lunches	\$0
Baby Sitters	\$100
Activities / Trips	\$0
Vacation	\$0
Pets	\$0
Hobbies and Sports	\$0
Other	\$0
Category 9 - Clothing (monthly)	\$0
Children's Clothing Needs	\$0
Husband/Wife Clothing Needs	\$0
Other	\$0
Category 10 - Savings (monthly)	\$180
Savings Account	\$180
Credit Union	\$0
Other	\$0
Category 11 - Health & Wellness (monthly)	\$0
Doctor	\$0
Dentist	\$0
Prescriptions	\$0
Eye Glasses / Contacts	\$0
Other	\$0
Category 12 - Miscellaneous (monthly)	\$30
Toiletries / Cosmetics	\$10
Beauty / Barber	\$10
Laundry / Cleaning	\$10
Allowances	\$0
Subscriptions	\$0
Gifts (including Christmas)	\$0
Cash	\$0
Other	\$0
Category 13 - Investments (monthly)	\$0
Employer 401k/403b plans	\$0
Retirement IRAs	\$0
College Funds	\$0
Non-Retirement Stocks, Bonds, Mutual Funds	\$0
Investment Real Estate	\$0
Other	\$0
Category 14 - School/Child Care (monthly)	\$0
School Tuition	\$0
School Books, Supplies, Materials, etc	\$0
Transportation	\$0
Day Care	\$0
Tutoring, Lessons for Music, Dance, etc	\$0
Other	\$0
Total Expenses	\$2,749

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	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
2. Total Taxes¹	Use Current Monthly Withholdings					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%						
3. Housing	39.0%	36.0%	32.0%	30.0%	30.0%	29.0%
4. Food	15.0%	12.0%	13.0%	12.0%	11.0%	11.0%
5. Transportation	15.0%	12.0%	13.0%	14.0%	13.0%	13.0%
6. Insurance	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
7. Debts	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
8. Entertainment/Recreation	3.0%	5.0%	5.0%	7.0%	7.0%	8.0%
9. Clothing	4.0%	5.0%	5.0%	6.0%	7.0%	7.0%
10. Savings	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
11. Health & Wellness	5.0%	6.0%	6.0%	5.0%	5.0%	5.0%
12. Miscellaneous	4.0%	4.0%	6.0%	6.0%	7.0%	7.0%
13. Investments	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Net Spendable Income:	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
14. School/Child Care²	8.0%	6.0%	5.0%	5.0%	5.0%	5.0%

¹ Taxes include all current monthly Federal, Social Security, Medicare, State and Local income taxes.

² This category is added as a guide only. If you have this expense, the percentage shown must be deducted from other budget categories so overall Net Spendable Income equals 100%.



Percentage Spending Plan ¹

Annual Income: **\$ 22,020**

Gross Monthly Income:

Use appropriate
% from
"Percentage
Guide"

1. Tithe/Giving

10.0%

x

1,835

1. Total Taxes

Actual Current Monthly Withholdings

Net Spendable Income (NSI)

Spending Category	Percentage		Net Spendable Income	
3. Housing	40.0%	x	1,557	=
4. Food	15.0%	x	1,557	=
5. Transportation	15.0%	x	1,557	=
6. Insurance	3.0%	x	1,557	=
7. Debts	5.0%	x	1,557	=
8. Entertainment/Recreation	3.0%	x	1,557	=
9. Clothing	5.0%	x	1,557	=
10. Savings	5.0%	x	1,557	=
11. Health & Wellness	6.0%	x	1,557	=
12. Miscellaneous	3.0%	x	1,557	=
13. Investments	0.0%	x	1,557	=
14. School/Child Care ²	0.0%	x	1,557	=

Total: (cannot exceed 100%) 100.0%

TOTAL: (cannot exceed Net Spendable Income)

¹ Use current actual monthly Federal, Social Security, Medicare, State, and Local tax with

² This category is added as a guide only. If you have this expense, the percentage shown r so overall Net Spendable Income equals 100%.

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\$	1,835
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184

95

1,557

\$	18,678.00	Annual NSI
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Amount

623

233

233

47

78

47

78

78

93

47

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-

1,557 OK

holdings

must be deducted from other budget categories