

PLANNING FOR NEXT MONTHS' BILLS

CHAPTER THREE:

This chapter is written to help prepare survivors for managing household finances.

PLANNING FOR NEXT MONTHS' BILLS

A. General Comments. Some deceased have been depended upon to the point of their death to be a contributor to the economic stability of some living unit. Thus, when death occurs an immediate practical question for survivors is: "How do I pay bills and debts which are due?"

To best be able to plan regarding payment of "next month's debts" (those ongoing monthly bills which continue to come due even though there has been a death) requires having planned and budgeted on a regular basis during one's lifetime. Involving trusted family and friends in developing and maintaining a family budget (including paying bills and writing checks) is excellent preparation for the time when death occurs. A survivor who is reasonably aware of your finances and familiar with the mechanics of checkbook keeping and bill paying will adjust much more smoothly to the reality of death.

B. A Sample Family Budget. Appendix C is a sample format from a well planned and useful family budget and record book. My wife and I together personally used this book, however, we were like most families and did not always maintain such a record. Money, no matter how much we had, was always a point of frustration. My wife, Vicki, says keeping that book up to date "helped her spend less"... "helped her to know what she had spent our money for"... "gave us well thought-out goals and objectives in managing our money".

The book made life much easier for both of us. I am an advocate of maintaining family financial records similar to the one in the Appendix. But perhaps even more important is the likelihood that the task of becoming solely responsible for family finances will be much easier for the survivor of us. A system and priorities had already been established, and we were both familiar with it.

C. Planning Exercise 4

Goal: To prepare four budgets. This is to be a simple but realistic exercise. One budget is a "current" budget which is to reflect your current income and expenses. The second two are "contingency" budgets, which are to reflect income and expenses: first, assuming the wife is the survivor; second, assuming the husband is the survivor. The fourth assumes that only dependent children survive.

Remember: When filling out each of the contingency budgets do not include expenses or income that will discontinue when you are no longer living. Couples should participate together in completing all budgets.

1. Preparing a Simple Budget,¹
 - a. Prepare a monthly budget.
 - b. Keep your budget as simple as possible.
 - c. Don't be concerned with getting an item down to the penny.
 - d. When in doubt, plan for more, not less (inflation goes up).
 - e. Be realistic.
 - f. Remember that this is a monthly budget designed to take a look at expenses incurred monthly for the course of the next year.
 - g. It will be useful to complete Appendix D, E, and F before completing the contingency budgets.

¹Adapted from A Survivor's Manual To; by Charlotte Kirsch, copyright (c), 1981, reprinted by permission of Doubleday and Co., Inc.

Current Budget

<u>Monthly Income</u>		<u>Monthly Expenses</u>	
Salary	_____	Rent or Mortgage	_____
Bonuses, Overtime	_____	Utilities:	
		Heat	_____
Benefits:		Electricity	_____
Social Security	_____	Telephone	_____
Veteran's Benefits	_____	Water	_____
Retirement Plan	_____	Other	_____
Other	_____		
Interest:		Food:	
Savings Acct.	_____	At Home	_____
Certificates	_____	Eating Out	_____
Bonds	_____		
Dividends:		Loan Payments:	_____
Mutual Funds	_____		
Stocks	_____	Child Care:	_____
Insurance	_____		
Other Sources:		Medical:	
Disability Pmt.	_____	Doctor	_____
Rental Income	_____	Dentist	_____
Business Income	_____	Medicines	_____
Gifts	_____	Other	_____
Other	_____		
		Education:	
TOTAL INCOME	\$ _____	Tuition	_____
		Books, Fees	_____
Less Total Expenses	\$ _____		
(from right column)		Home:	
MONEY LEFT OVER	\$ _____	Maintenance	_____
		Insurance	_____
		Furnishings	_____
		Travel:	
My budget tells me that I have:		Fuel	_____
\$ _____ left over monthly		Maintenance	_____
\$ _____ needed monthly		Other	_____
		Personal:	
		Hairdresser	_____
		Hobbies/Dues	_____
		Clothing	_____
		Contributions	_____
		Savings	_____
		Gifts	_____
		Insurance:	
		Life	_____
		Car	_____
		Health	_____
		Disability	_____
		Liability	_____
		Entertainment:	
		Vacations	_____
		Shows	_____
		Books	_____
		Recordings	_____
		Taxes:**	
		Fed. Inc. Tax	_____
		State Inc. Tax	_____
		TOTAL	_____

** (Estimate 25% of Gross income)

Contingency Budget
(Wife Survivor)

<u>Monthly Income</u>		<u>Monthly Expenses</u>
Salary _____		Rent or Mortgage _____
Bonuses, Overtime _____		Utilities:
Benefits:		Heat _____
(Appendix G) Social Security _____		Electricity _____
Veteran's Benefits _____		Telephone _____
Retirement Plan _____		Water _____
Other _____		Other _____
Interest:		Food:
Savings Acct. _____		At Home _____
Certificates _____		Eating Out _____
Bonds _____		Loan Payments: _____
Dividends:		Child Care: _____
Mutual Funds _____		Medical:
Stocks _____		Doctor _____
Insurance _____		Dentist _____
*Other Sources:		Medicines _____
Disability Pmt. _____		Other _____
Rental Income _____		Education:
Business Income _____		Tuition _____
Gifts _____		Books, Fees _____
Other* _____		Home:
		Maintenance _____
TOTAL INCOME \$ _____		Insurance _____
		Furnishings _____
Less Total Expenses \$ _____		Travel:
(from right column)		Fuel _____
MONEY LEFT OVER \$ _____		Maintenance _____
		Other _____
		Personal:
My budget tells me that I have:		Hairdresser _____
\$ _____ left over monthly		Hobbies/Dues _____
\$ _____ needed monthly		Clothing _____
		Contributions _____
		Savings _____
		Gifts _____
		Insurance:
		Life _____
		Car _____
		Health _____
		Disability _____
		Liability _____
		Entertainment:
		Vacations _____
		Shows _____
		Books _____
		Recordings _____
		Taxes:**
		Fed. Inc. Tax _____
		State Inc. Tax _____
		TOTAL _____

** (Estimate 25% of Gross income)

Contingency Budget
(Husband Survivor)

Monthly Income

Salary _____
 Bonuses, Overtime _____
 Benefits:
 (Appendix G) Social Security _____
 Veteran's Benefits _____
 Retirement Plan _____
 Other _____
 Interest:
 Savings Acct. _____
 Certificates _____
 Bonds _____
 Dividends:
 Mutual Funds _____
 Stocks _____
 Insurance _____
 *Other Sources:
 Disability Pmt. _____
 Rental Income _____
 Business Income _____
 Gifts _____
 Other* _____

TOTAL INCOME \$ _____

Less Total Expenses (from right column) \$ _____

MONEY LEFT OVER \$ _____

My budget tells me that I have:

\$ _____ left over monthly

\$ _____ needed monthly

*Estimate annual gross income from lump sum death benefits retained for investment purposes at 8% of amount retained.

** (Estimate 25% of Gross income)

Monthly Expenses

Rent or Mortgage _____
 Utilities:
 Heat _____
 Electricity _____
 Telephone _____
 Water _____
 Other _____
 Food:
 At Home _____
 Eating Out _____
 Loan Payments: _____
 Child Care: _____
 Medical:
 Doctor _____
 Dentist _____
 Medicines _____
 Other _____
 Education:
 Tuition _____
 Books, Fees _____
 Home:
 Maintenance _____
 Insurance _____
 Furnishings _____
 Travel:
 Fuel _____
 Maintenance _____
 Other _____
 Personal:
 Hairdresser _____
 Hobbies/Dues _____
 Clothing _____
 Contributions _____
 Savings _____
 Gifts _____
 Insurance:
 Life _____
 Car _____
 Health _____
 Disability _____
 Liability _____
 Entertainment:
 Vacations _____
 Shows _____
 Books _____
 Recordings _____
 Taxes:**
 Fed. Inc. Tax _____
 State Inc. Tax _____
 TOTAL _____

Contingency Budget
(Dependent Children only Survivors)

Monthly Income

Salary _____
 Bonuses, Overtime _____
 Benefits:
 (Appendix G) Social Security _____
 Veteran's Benefits _____
 Retirement Plan _____
 Other _____
 Interest:
 Savings Acct. _____
 Certificates _____
 Bonds _____
 Dividends:
 Mutual Funds _____
 Stocks _____
 Insurance _____
 *Other Sources:
 Disability Pmt. _____
 Rental Income _____
 Business Income _____
 Gifts _____
 Other* _____

TOTAL INCOME \$ _____

Less Total Expenses (from right column) \$ _____

MONEY LEFT OVER \$ _____

My budget tells me that I have:

\$ _____ left over monthly

\$ _____ needed monthly

*Estimate annual gross income from lump sum death benefits retained for investment purposes at 8% of amount retained.

** (Estimate 25% of Gross income)

Monthly Expenses

Rent or Mortgage _____
 Utilities:
 Heat _____
 Electricity _____
 Telephone _____
 Water _____
 Other _____
 Food:
 At Home _____
 Eating Out _____
 Loan Payments: _____
 Child Care: _____
 Medical:
 Doctor _____
 Dentist _____
 Medicines _____
 Other _____
 Education:
 Tuition _____
 Books, Fees _____
 Home:
 Maintenance _____
 Insurance _____
 Furnishings _____
 Travel:
 Fuel _____
 Maintenance _____
 Other _____
 Personal:
 Hairdresser _____
 Hobbies/Dues _____
 Clothing _____
 Contributions _____
 Savings _____
 Gifts _____
 Insurance:
 Life _____
 Car _____
 Health _____
 Disability _____
 Liability _____
 Entertainment:
 Vacations _____
 Shows _____
 Books _____
 Recordings _____
 Taxes:**
 Fed. Inc. Tax _____
 State Inc. Tax _____
 TOTAL _____

2. What steps, if any, should be taken NOW to assure uninterrupted payment of monthly expenses and outstanding indebtedness following:

Husband's Death:

- _____ Begin accumulating a cash reserve.
Goal: to accumulate \$_____ by _____, 20____.
(Suggest 3 to 6 times net monthly income.)
- _____ Establish a buy/sell agreement with co-owners of business; re-examine existing buy/sell agreements for practical workability and adequate funding.
- _____ Re-evaluate spending patterns or spouse seeking employment.
- _____ Sell the following assets by the date indicated:
Asset: _____ Date: _____

- _____ Acquire additional life insurance (See Appendix H).
- _____ Instruct my executor/trustee and survivors to follow the instructions and information set out at Appendix F (regarding liquidation of debts and sale of assets).
- _____ Instruct my executor/trustee to defer payment of income, estate and inheritance taxes, as appropriate.

Wife's Death:

- _____ Begin accumulating a cash reserve.
Goal: to accumulate \$_____ by _____, 20____.
(Suggest 3 to 6 times net monthly income.)
- _____ Establish a buy/sell agreement with co-owners of business; re-examine existing buy/sell agreements for practical workability and adequate funding.
- _____ Re-evaluate spending patterns or spouse seeking employment.
- _____ Sell the following assets by the date indicated:
Asset: _____ Date: _____

- _____ Acquire additional life insurance (See Appendix H).
- _____ Instruct my executor/trustee and survivors to follow the instructions and information set out at Appendix F (regarding liquidation of debts and sale of assets).
- _____ Instruct my executor/trustee to defer payment of income, estate and inheritance taxes, as appropriate.