FINANCIAL AID

Get out of debt, deal with job loss and become a better money manager with our expert help—based on lessons from three families who turned economic troubles into fiscal freedom.

BY SONDRA FORSYTH

The Nelsons: Will Jr., Bill, Keira, Wendi, Dylinn, Megan and their dog, Morpheous.

REINVENT YOURSELF

WENDI NELSON, 36
PASADENA, CALIFORNIA

Wendi had just taken a Web-management job when her husband, Bill, 43, was laid off from his analyst position with an Internet company. "The pressure on me to succeed was tremendous," she says. One of their biggest concerns was health insurance. The couple and their four kids, now 22, 16, 5 and 3, had been covered by Bill's company. Wendi's new place offered the benefit, but the fee was, she says, "ridiculously high." COBRA, too, was cost-prohibitive. Finally, they found coverage through eHealthInsurance.com, though they had to take a high-deductible policy.

Bill immediately started sending out résumés. When nobody responded, he tried applying for more junior spots. But then, thinking about the future, he realized he wouldn't be content forever with a position less challenging and lucrative than his former one, so he decided to go back to school. He's now studying full time for a B.S. in computer information systems. "Some of his tuition is covered by a government program," says Wendi, "and he bought books and supplies with tax refunds." Bill purposely set up his class schedule for late afternoons and evenings so he can take care of the children during Wendi's work hours. The older kids and a family friend fill in some of the gaps, and Wendi arranged to work from home three days a week.

To make ends meet the couple cashed in some of their retirement savings and cut back on extras. "We do homemade gifts," Wendi says, "or I shop when there are huge discounts. We reduced the grocery bill by eating simpler fare like mac and cheese and building the menu around what's on sale."

There are times when the role of sole breadwinner, along with the day-to-day balancing act, can feel like a slog to Wendi. But overall she's optimistic. "Bill's outlook is so much happier now that he's going to school," she says. "He still sends out résumés in between classes. He says his car is his office. But he's not as upset about rejections because he knows he'll have an upgraded skill set in another year that will make him more marketable. We went from feeling like victims to being proactive about our situation."

Photo: Cheyenne Ellis.

Tackling problems together has an upside for the whole family. "We've found that having fewer luxuries isn't a deprivation," Wendi says. "It actually means more time together. I'm so grateful for the closeness and strength we've gained. We're banking memories. No one can take that away from us."

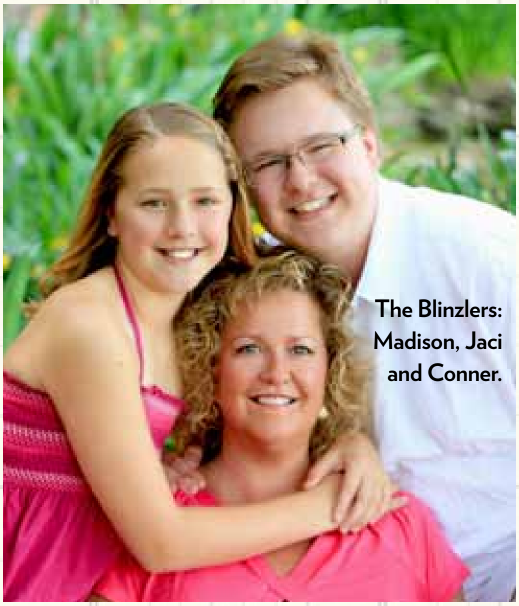
BOTTOM LINE ›

TURN AROUND A JOB LOSS

• **BE PATIENT.** It can be frustrating to see your spouse dragging through the post-layoff period. Avoid saying, "You have to get a grip and start figuring out what you're going to do if you don't land a job in your old field." Instead, suggests Jacob Needleman, author of *Money and the Meaning of Life* (Doubleday), initiate brainstorming talks by saying something like, "I love you, and we need to work on how to approach this." The goal is to plan for specifics like rewriting a résumé or networking with others. If you suspect depression or substance abuse—which often flare up at times of intense stress—seek out professional help.

• **SEARCH SMART.** Further education is great if you can swing it, says Deborah Price, founder and CEO of the Money Coaching Institute in Petaluma, California, but before you set off in a new direction, make sure you've gone all out marketing your old job skills. "Hand-deliver your résumé to make it stand out from the pile on the employer's desk," she says. "Research a company and write a love letter about what you could contribute." Take temp or consulting spots—one could turn permanent as the economy improves. "And you can't think straight if you're super-stressed," says Price, "so exercise, meditate or make a daily gratitude list to stay relaxed and sharp."

• **MAINTAIN PERSPECTIVE.** Remind yourself and the kids that spending cuts are temporary, says Price, and that you're not the only family going through a transition like this. In the meantime find ways to have fun for less: Netflix instead of cable; potluck with neighbors in place of dinners out; cooking together rather than ordering in; swapping video games with friends as a substitute for buying new. "It's about getting creative and being really flexible," says Price. "Who knows? You might want to continue the economies when your earnings go back up. It's a terrific way to boost saving." You can never go wrong putting money away for the unexpected and for the future.



The Blinzlers: Madison, Jaci and Conner.

FACE YOUR FINANCES

JACI BLINZLER, 49
PARKVILLE, MISSOURI

Insecure about her money-handling skills, Jaci didn't resist when her husband demanded that he do it all. "I was clueless," she says. "I just let him take care of everything." But when he left the marriage—and withdrew all support—she got a crash how-to course. "It was painful," she says. "The phone and utility bills were in his name, and I had trouble getting the accounts switched." In addition, the couple had joint bank accounts, so for the first time in 22 years Jaci had to open her own.

Hungry for guidance, she entered a financial makeover contest at her credit union. "I met with a coach peri-

Photo: Amy Schlatter.

odically for almost a year," says Jaci, who has a 15-year-old son and 13-year-old daughter. "The kids attended every session and learned right along with me." It quickly became evident that the family was overspending and not saving at all. "At first I didn't see how we could possibly sock anything away, considering what I make," says Jaci, who's an office manager for a medical coding company. "But our mentor suggested asking my son and daughter to come up with some ideas." The two decided they could babysit and pet-sit to pay for some of their sports fees, and offered to drop some activities to save money. They each chose a favorite one and withdrew from the others.

During the early months on the new budget, Jaci's daughter kept asking, "When will this be over?" Finally she admitted she just wanted to buy some inexpensive jewelry and hair bows. "I told her we'd find a way," says Jaci. "Being careful is for life, so it's important to set aside a small amount of money for fun. Otherwise you start to feel deprived and discouraged."

The Blinzler family won the $10,000 grand prize in the credit union contest—they saved the most and paid down the biggest debt. The extra cash was a big deal, Jaci says, but not as important as the knowledge she and the children gained. "I went from being a scared suddenly single mother to being in full control," she says. "Plus, the kids don't see finances as frightening and mysterious. They understand that they can be in charge. And now so do I."

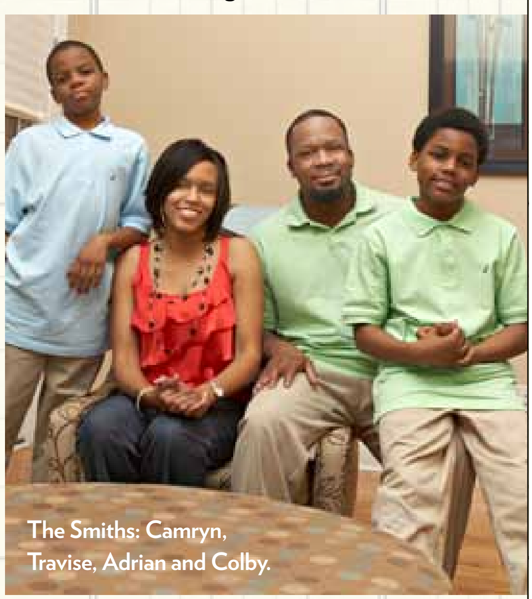
BOTTOM LINE ›

BE THE BOSS OF YOUR MONEY

• **DARE TO BE AWARE.** People who keep their head in the sand give away all their power, says Price. "This is not healthy for your relationship," she adds. "The in-control partner ends up becoming like a parent." Besides, she says, "Money management is not rocket science. Eventually a life event will mean you have to step up and make bigger decisions. If you can read and do basic math, you'll be fine."

• **SCHOOL YOURSELF.** Find strategies for your situation by visiting the National Endowment for Financial Education site at nefe.org. You don't have to go for a CPA. Just spend a few minutes a couple times a week with the free tutorials, brushing up your skills and boosting your confidence.

• **INCLUDE THE KIDS.** You don't want to dump your adult worries on your children, of course. "But you can explain that nobody has enough money to do or have absolutely everything she might want," says Liz Pulliam Weston, author of *Your Credit Score* (FT Press). "We all have to make choices." Your kids may have cost-saving or income-generating ideas you hadn't thought of. Ask them.



The Smiths: Camryn, Travise, Adrian and Colby.

Photo: Cheryl Zibisky.

OWN YOUR LIFE

TRAVISE SMITH, 38 ROCK HILL, SOUTH CAROLINA

The Smiths were living beyond their means. "In 2002 we had a beautiful home, nice furniture, stylish clothes, lots of toys for our sons, a riding lawn mower and two late-model SUVs," says Travise. "We looked great to the neighbors. The problem was, nothing was paid for and we had racked up $172,000 in debt."

Travise was a stay-at-home mom to their two boys, now 11 and 9. Her husband, Adrian, 38, earned a decent income with a regional telephone company, but his salary wasn't enough to maintain their lifestyle. "We'd skip the phone bill one month, electricity the next, the car payments the one after that," Travise says. "We were endlessly juggling money, taking from Peter to pay Paul. The stress was terrible."

One Sunday, she says, their pastor gave a sermon based on a Bible verse, "Owe nothing to anyone except mutual love." Around the same time Adrian heard a radio show about living debt-free and told Travise. "This was our big 'aha' moment," she says. "We decided to give it a try." Their first move was to unload one SUV, along with its large payment, and replace it with a used car that cost a flat $600 and was more fuel-efficient.

Next, they chipped away at what they owed on store and credit cards. To raise cash, she says, "I gathered up everything that wasn't nailed down and sold it at flea markets." She also became an ardent couponer, and Adrian took a second job cleaning offices at night. Finally, they sold their pricey home and rented a two-bedroom cottage from her parents for $400 a month. "The place had no heat and no air-conditioning," says Travise. "It was difficult. We told the kids on a regular basis it was for the best, and we wouldn't be there any longer than necessary." Within weeks of the change, Travise landed a position as a loan officer at a nearby bank.

In just 29 months they had paid off every penny of their debt. They had also saved enough to make the required 20% down payment on a new custom-built place, taking only a mortgage they could handle on one income, if necessary. "That was a smart strategy," says Travise. "I lost my job two months after we moved in."

Adrian has a better job now with the power company, and he has quit the cleaning job. "We simply stick to our budget and never charge anything," Travise says. She's proudest, though, of what her sons have gained. "They have their own bank accounts, and if they get $10 as a birthday present, they know to put part of it in the bank and give a portion to a good cause. Then if they want something, they either have to pay for it themselves or ask 'Is it in the budget?' And they know the difference between wants and needs."

Travise now works full time for herself, conducting workshops about couponing and responsible money management. "I want to keep other people from getting into the mess we were in," she says. "If you can't pay for something outright, you can't afford it! When I think back to when we were saddled with all that debt, I thank God we were able to turn our lives around."

BOTTOM LINE ›

DIG OUT OF DEBT

• **GO OUT LONG.** Your spending habits should reflect your big-picture plans, meaning you might choose to skip or scale back on restaurant meals and pricey vacations, for example, in favor of reducing credit card balances and saving for retirement. "If impulse spending is a problem," says Weston, "carry a little notebook or use your smartphone to write down a description and the price of an item you're tempted to buy, then wait three days. Most things lose their appeal after a cooling-off period."

• **DITCH MOM GUILT.** Today's parents are overly concerned about giving their kids everything, says Price. "Believe me," she adds, "they care far more about having time with you." Encourage your children to earn their own cash for the gotta-have-its. If you can and want to, offer a matching fund: You'll pay a certain amount if they can raise part on their own.

• **LEAVE EGO OUT OF IT.** Your intrinsic value shouldn't be connected with your job title, income or possessions, says Needleman. "Money is a tool," he says. "Don't let your mind exaggerate its role in your life. You want to have it, not be had by it." ●