

Handling Difficult Situations

Having been working so long to improve your financial well-being, you're probably pretty confident in your ability to keep it up.

During the coming years, though, you might face new situations that could challenge your confidence. Read the stories to learn how others have dealt with difficult situations and answer the questions that follow.

Kim

Kim had been gradually paying off her credit card debt for about two years and was finally beginning to see the light at the end of the tunnel. She'd even started setting aside some money in an emergency fund. But one day, she had a huge setback—she broke her ankle in a bike accident. The medical bills added up quickly even though she had insurance.

The bill for the ER visit alone was \$854. Her first thought in the past would have been to pay the fees with her credit card, but she knew that the interest over time would only add to this new financial burden.

Remembering an article she read in the newspaper about high hospital bills, Kim called the hospital and asked for an explanation of the charges. She first wanted to make sure that the bill didn't include errors or overcharges that could be taken care of easily. There was one error, but that still left a hefty bill. So she called her insurance company about the reason the charges were not all covered. When she couldn't get anywhere, she called the hospital back to see if they were willing to accept a lower payment. They were—and they also worked out a payment plan so Kim did not have to charge the payment. She could not set aside as much as she had before to paying down her debt, but was relieved she did not add more to her credit card balances.

Imagine that you faced a large, unexpected expense. What would you do?

Mike

Mike was saving regularly. He was proud of the fact that he had three months of living expenses saved for an emergency, and was putting money into his retirement account. He really felt pretty secure about his future—until he suddenly lost his job. Downsizing within his company meant a layoff for him. What he hadn't planned for was how long it would really take to find a new job. His savings lasted longer than he anticipated, but not as long as he needed.

Rather than relying on credit cards to get by, he created a very frugal budget. To save money on his car and home owner's insurance, he comparison shopped and raised his deductible. He also totally overhauled his social life—inviting friends and family over for pot-luck dinners and to watch sports on TV rather than going out. He stopped eating out, made his own coffee, and bought his groceries at a discount store. He cancelled his gym membership and stopped buying books and magazines he could get at the library.

Luckily, Mike found a job after six long months of looking. He decided to continue with his budget even though he had money coming in again so that he could re-build his savings fund. He set a short-term goal (save \$500) and a long-term goal (save 6 months of living expenses). And each time he was about to buy something, he asked himself, "How many hours of work would I have to do to pay for this?" Often, that was the only reminder he needed to keep things in perspective.

What other unexpected situations could derail you (think relocation, illness of a family member, etc.)?

How will you plan ahead for those expected situations?

Bill and Susan

Susan had been following a budget long before she married her husband Bill a year ago. Susan hadn't realized before they got married what a spender Bill was. Over time, though, it had become a pretty sore subject for them. They began to argue about money more and more often. Susan was at the end of her rope when Bill borrowed money from his 401K to buy an iPad.

Susan knew that she and Bill needed to get on the same page for the sake of their marriage. She asked Bill if they could set aside some time to talk about their finances, and shared how important it was to her to not be carrying debt. Instead of criticizing him, Susan talked about how much less stressed and at ease she would be if they agreed on big purchases before he made them.

She also reminded Bill that for their dreams of buying a house to become a reality, they had to make some sacrifices now. She told him she thought they were partners, and that when he made those kinds of decisions without involving her, she felt like they were at odds.

Bill had not realized what an impact his spending was having on Susan. When he heard how upset and worried Susan was, he finally saw things from her perspective. He explained that he never really worried but now understood her point of view.

They both agreed to talk at the beginning of each month about their budget—namely what was in and what was out. They also pledged not to buy anything for more than \$100 without checking with each other. Getting all the cards on the table made all the difference in the world—and setting aside that time each month kept the conversation going.

Is there anyone in your life who makes it hard for you to keep up your healthy financial habits?

What could you say to that person?
