



# Understanding Family Finance in These Trying Economic Times

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Let's face it, living in today's world costs money. Chances are, in the last year or so your family may have had to tighten their "economic belt" along with millions of other families throughout the country. No one ever intentionally plans to not have enough money at the end of the month; however, many families struggle to understand how they can trim the fat out of their monthly budget. The good news is that even when money is tight there are a number of ways to save for important purchases, entertain guests, and have special family nights together.

## Where Does My Money Go?

How do you begin? Well, first you need to understand what cash flow is. You don't need to be a math whiz to figure out your cash flow. It is simply figuring out how much income you are expecting minus your expenses, such as, housing, food, utilities, insurance, and transportation costs. By doing this, now you know when you have left over cash for saving, spending or donating. How much do you spend? Do this simple exercise: utilize a notebook and pen or electronic device that you can carry with you throughout the day. Whenever you spend money, record how much you spent and what you purchased. Try to use cash, debit card and only one credit card, if possible, for easier tracking. Do this for one to four weeks if possible. This will track your spending habits.

Get everyone in your household to do the same thing and utilize a spreadsheet for visual impacts. Compare notes at the end of the month and you will have established a monthly glimpse of your family's cash flow patterns. This is a great time to set up categories for how you spend money. Some of these categories will probably include housing, utilities and groceries, eating out, clothing, entertainment, haircuts, medical bills, transportation, income taxes and insurance. Now that you know how your family spends money, you can set up a budget or average monthly living expense form which includes your necessary expenses and also set up a savings plan.

## How Can I Save My Money?

You may wonder how to save money when you can barely make ends meet. Saving makes cents—in more ways than one. Experts say that you should always pay yourself first. The National Endowment for Financial Education (NEFE) teaches to "Pay Yourself First." In other words, when you receive your paycheck, set aside approximately 10% of your paycheck in a savings account before you pay anything else to build an "Emergency Fund" that will help pay for unexpected car expenses, home repairs, health care costs, or any other unexpected expense that might put you in debt. You may choose to utilize a payroll deduction plan to help you with this savings plan.

The key to saving money comes down to prioritizing what is most important in your life and determining what is a need versus a want. For example, buying a vending machine soda each day isn't something you really need, but will cost you roughly \$2.00/day or about \$730 a year. If you give up that soda for one year you can put \$730 in savings for college, a car, medical bills or any other major goal your family has chosen.

Think about it this way, most bankruptcies come from unexpected events such as the loss of a job, divorce, or medical expenses that are not covered by insurance (Livshits, Magee, and Tertilt, 2007). The money that a family has saved in an Emergency Fund might have been the needed funds that could have saved them from a difficult situation. No one knows when they will need their savings. The simple act of carrying your own reusable water bottle or packing lunch instead of eating out might make a big difference for your family should an emergency happen.

## How Can I Get Out Of Debt?

Analyzing your debt is an important step in this process. Debt is an amount of money you owe that is linked to a written obligation to pay back a lender. Typically you will pay back the original amount (principal) plus interest. Getting out of debt requires hard work and dedication. NEFE designates four ways to get on track and get out of debt:

1. Make a serious pledge/commitment to get out of debt,
2. Immediately stop going into more debt by cutting up credit cards and using your new budget,
3. Determine your total amount of debt, and
4. Develop a repayment plan.

When analyzing debt load, repayment of debts is one way to feel good about yourself and celebrate your personal debt being reduced. One payment plan on-line maybe helpful and visual and can be found at <http://PowerPlay.org>. This program offers strategies to pay off debts using four options:

1. Highest interest rate
2. Shortest Term
3. Smallest Balance, and
4. Order of Priority.

The program illustrates the savings that would result from implementing the various strategies and provide a payment calendar so monthly progress can be observed.

Serious debt management issues may require counseling from the Consumer Credit Counseling Service. This service helps to reduce debt by offering lenders a smaller amount of money for the existing debt in exchange for the whole amount being eliminated. This agency is a non-profit credit counseling agency dedicated to helping people regain control

of their finances and plan for a debt free future. Filing bankruptcy is only to be used as a last resort. Many debt issues can be lessened with a monthly budget.

## How Can a Monthly Budget Help?

Who needs a monthly budget? All of us need to create and live by a monthly budget. However, if something unexpected happens, a budget can be altered. The whole idea behind budgeting is to make sure we save some money, pay bills, and ensure that we are in control of our money instead of our money controlling us. There are a number of budget items to consider. Housing expenses measure approximately 30% of our overall household income. If a family chooses to own a home, the mortgage is probably not flexible compared to a family who might choose a less expensive apartment. However, owning a home builds equity for the owner while renting is cash gone. Utilities such as electricity, gas, and telephone give the family more opportunities to decrease their bills by altering their usage. Groceries are another simple way to decrease monthly costs by checking local store flyers for sales, planning weekly meals, switching from brand name items to store brands, using coupons for items usually purchased for the household and waiting to shop on days when the stores redeem double coupon values.

Entertainment on a budget can be a huge savings for families. Dinner out for a family of four can easily range from \$40-80 depending upon the restaurant. Yet, the same food can be purchased on sale from the grocery store and prepared at home for \$20 or less depending upon the menu. Going to the movies with the same family will cost \$25+ in tickets and at least \$20 in popcorn and sodas when a movie rental and home popped

popcorn is a fraction of the price. When inviting friends over, pass on the \$5.00/lb steaks and pick up the \$.99 chicken leg quarters. Focus on spending time with friends and not on impressing them with fancy dinners.

## What Can I Do on a Small Budget?

No one should ever feel guilty that they can't buy their children/grandchildren toys or clothes because money is tight. Look at options for those items, such as garage sales or second-hand stores. Often high dollar items can be purchased for a fraction of the cost. But, even toys get broken and clothes become outgrown. Spending quality time with them is important. Try creating a game night where you pull out a board game or a deck of cards and play with them for 30 minutes. The memories you will create will last much longer than any toy you could ever buy.

Getting back to the basics of life is fundamental. We all need to pay for our lifestyle choices. As we look at our options, knowing that we have so many basic needs/purchases that are somewhat flexible, we will eventually feel more in control of our finances and our future lives.

For more information on managing in tough times go to:

[http://www.extension.org/personal\\_finance](http://www.extension.org/personal_finance) for additional ideas on saving money and stretching resources.

National Endowment for Financial Education (NEFE), <http://www.nefe.org>  
Utah State University <http://PowerPlay.org>

Consumer Credit Counseling Service, <http://www.consumercredit.com>

Livshits, I., Magee, J., and Tertilt, M., (2007). Consumer Bankruptcy: A Fresh Start. *The American Economic Review*, 97, 1, pp. 402-418.

# WHAT YOU NEED TO KNOW BEFORE YOU BUY YOUR "RANCHETTE" — LOT-SPLITS VERSUS SUBDIVISIONS IN RURAL ARIZONA

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Arizona's total land mass is comprised of 72.9 million acres. Of this acreage, 42% is federal land, 28% is Tribal or Reservation land, 13% is State Trust Land, and 18% is private land<sup>1</sup>. Private land in this percentage includes all local government lands like rights of way and special district-owned land, in addition to land owned by private entities. The conversion of large tracts of private lands, like ranches and farms, to smaller residential lots is the focus of this publication. While many may be familiar with the concept of subdivision, few people other than planners or real estate interests understand the difference between subdividing property and the process of lot-splitting, whereby a parcel of land is split off and sold in the absence of a subdivision plan. Lot-splitting is a very common land use practice in Arizona's rural areas, especially outside the incorporated limits of cities and towns.

## Lot Splits

In Arizona's counties, Arizona Revised Statutes (ARS §32-2101)<sup>2</sup> allow large properties like ranches or farms to be surveyed into many parcels no smaller than 36 acres and sold with only minimal state public report requirements, namely disclosure of legal access, floodplains, etc. Furthermore, the statutes permit any individual buying one or more of those parcels to further split that acreage up to five additional times and sell each one without going through

any formal subdivision review process. Subsequent owners of parcels can also continue to split their property up to five times, as long as the resulting new parcels meet the minimum zoning requirements of the county. This process of lot-splitting results in what are commonly called "wildcat subdivisions," although the term "subdivision" is a misnomer since no formal subdivision plans are required, reviewed or recorded. The informal term "wildcat" is also confusingly applied to illegal lot-splitting, i.e. splitting more than five times, or acting in concert with other individuals to profit from multiple lot splits.

Local zoning plays an important role in the number lot splits that may actually happen on any given property. Zoning in Arizona's counties stipulates a minimum lot size needed in order to obtain a building permit for a home or other structures. Minimum lot sizes in rural areas vary county by county but generally range from one acre to ten acres. Logic dictates that the greater the minimum lot size, the fewer times a property can be split, and the fewer homes will occupy the landscape.

Counties in Arizona, under Arizona Revised Statutes<sup>3</sup>, if they choose, can adopt a minor land division ordinance to review lot-splits of five or fewer parcels. These review criteria are considerably less onerous than the review processes for formal subdivisions and not all counties have adopted this kind of ordinance. However, if a county adopts such an ordinance, it is limited to a review of the following: