

## Tips to increasing your income:

- Review and change your tax-deduction status if you regularly receive a tax refund. This way you can receive the money throughout the year to pay your expenses. There are also a number of tax credits (further described below) that may help increase your income, including:
  - Advance EIC or Earned Income Tax Credit (EITC)
  - Child tax credit
  - Credit for child and dependent care expenses
  - Education credits
  - Tax credits for retirement savings contributions
- Reduce or stop your retirement contributions **temporarily** as opposed to cashing out your contributions and paying the taxes and penalties
- Take on a part-time job if you already work full time
- Use a talent or hobby to increase your income
- Seek unemployment assistance if unemployed and not already receiving assistance
- Enroll in a training program to learn a new career or job skill in order to obtain a job
- Update and distribute your resume in order to obtain a job or a higher paying job
- Sell your assets (e.g., an extra vehicle, furniture, jewelry, or your home) if you need to downsize
- Rent out an extra bedroom in your home

## EITC

The EITC is a refundable federal income tax credit for people who work but do not earn high incomes. If you qualify, the EITC reduces the amount of tax you owe and you may receive a refund. You may even be eligible for an advance EITC, which allows you to receive part of the credit in each paycheck during the year.

The following eligibility requirements apply:

- You must have a valid Social Security Number (SSN).
- You must be between 25 and 65 years of age, unless you have a qualifying child.
- A qualifying child must live with you in the United States (U.S.) more than half of the year.
- You must have earned income from wages or self-employment. This does not include alimony, child support, welfare benefits, unemployment benefits, interest, dividends, pensions, and certain workforce payments.
- You cannot file your taxes as “Married Filing Separately.”

If you qualify you must file the Form W-5 with your employer to receive the advance EITC. All of the rules and examples can be found in Internal Revenue Service (IRS) Publication 596.

Benefits can range from \$2 to over \$4,500, depending on earned income, number of qualifying

children, and other factors. Any refund that you receive as a result of taking the EITC will not be used to determine your eligibility or how much you can receive from the following programs:

- Temporary Assistance for Needy Families (TANF)
- Medicaid, Food Stamps, and housing assistance

### **Child Tax Credit**

The Child Tax Credit can lower the amount of income tax you owe and increase any refund you might receive. The benefit can be as high as \$1,000 per child. Information is available in IRS Publication 972. The tax credit application form and the IRS Publication are available at: [www.irs.gov](http://www.irs.gov) or by calling the IRS at **1-800-829-3676** or **1-800-829-1040**.

Eligibility requirements are fully explained in IRS Publication 972, or in the Form 1040 or 1040A Instructions, and include the following:

- The child must be 17 years of age or younger by the end of the tax year
- The child must be a U.S. citizen, resident, or national

### **Credit for Child and Dependent Care Expenses**

If you pay someone to care for your child (under the age of 13), your spouse, or another dependent who is not able to care for him or herself you may be eligible for a tax credit. The tax credit can lower the amount of income tax you owe and increase any refund you might receive. To qualify, you must pay the child or dependent care expenses so you can work or look for work. There are other requirements. Information is available in IRS Publication 503 or in the Form 1040 or 1040A Instructions. The tax credit application form and the IRS Publication are available at [www.irs.gov](http://www.irs.gov) or by calling the IRS at **1-800-829-3676** or **1-800-829-1040**.

### **Education Credits**

If you are saving for or paying education costs for yourself or another student to attend a college, university, vocational school, or other postsecondary education institution then you may be eligible for a tax credit. The amount of credit you can take depends on your filing status, your adjusted gross income, and your eligible expenses. Information is available in IRS Publication 970. The tax credit application form and the IRS Publication are available at [www.irs.gov](http://www.irs.gov) or by calling the IRS at **1-800-829-3676** or **1-800-829-1040**.

### **Credit for Retirement Savings Contributions**

If you make eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement or individual retirement account (IRA) you may be eligible for a tax credit. The amount of credit you can take depends on your filing status, your adjusted gross income, and your eligible contributions. To claim the credit, complete IRS Form 8880 and submit it with your federal income tax form. A copy of the tax credit application form is available at [www.irs.gov](http://www.irs.gov) or by calling the IRS at **1-800-829-3676** or **1-800-829-1040**.

## Decrease Your Expenses

If you struggle to figure out how to begin decreasing your spending:

- Start small by reducing or eliminating one new expense every month or two
- Eliminate or reduce expenses that are wants and desires versus needs
- Think twice before spending or purchasing items that do not help you reach your financial recovery goals
- Plan and save for certain items rather than using your credit card

Tips to decreasing your expenses:

- Develop and follow a spending plan whereby you reduce your spending and credit card use.
- Reduce the number of times you eat out at a restaurant or avoid eating out.
- Become a more conscientious shopper (e.g., make a list and stick to it, purchase only necessary items, purchase items when they are on sale, use weekly sales fliers to make a grocery list, only use coupons if you normally use the item and if you can actually save money since generic items may cost less than the brand name item with the coupon, and shop for clothing or household items at thrift or consignment stores).
- Avoid stores and shopping for fun, unless you have complete sales resistance and really *can* just window shop. Also consider removing temptation by spending time reading, playing games, or being outside instead of watching television and being influenced and tempted by the advertisements.
- Purchase only items that you need, not what you want. This may also include cutting back on or eliminating extra expenses (e.g., dining out, vacations, movies, sporting events, car washes, cable/satellite TV or extended packages including movie channels, and private schools for your children).
- Reduce your utility bills (e.g., downsize or get rid of your cell phone, cable TV, or satellite plans; conserve energy and water; eliminate extra telephone services, including caller ID and call waiting; or close your land line account if you regularly use your cell phone) .
- Contact creditors to negotiate a lower interest rate or monthly payment.
- Use local, state, or national assistance programs to help with food and utility costs.
- Shop around to get the best deal on big-ticket items (e.g., cars, appliances, insurance, loans, child or elder care; and cell phone, Internet, and cable or satellite plans). Remember, you have control over some of these expenses before you sign the initial agreement and they become fixed expenses.

## **Prioritize Your Expenses**

### **Basic Necessities**

Your basic human necessities (i.e., mortgage/rent, food, utilities, and transportation) should always come before paying other expenses or creditors.

What should you do if you fear you cannot make your mortgage payment?

- If you cannot make a mortgage payment, or fear you are at risk of foreclosing on your home, contact your lender immediately to explain your situation and negotiate a payment plan until you can resume regular payments.
- You may also want to contact the U.S. Department of Housing and Urban Development (HUD) at [www.hud.gov](http://www.hud.gov) or **1-800-569-4287** to locate a HUD-approved housing counselor near you.

What should you do if you fear you cannot make your car payment?

- If you are having difficulties paying your car loan and foresee that you are getting close to defaulting on your loan, consider selling the car yourself to pay off the loan to avoid the repossession expenses (e.g., towing and storage costs) and negative impact on your credit report.

### **High-Priority Expenses**

If you have other high-priority expenses you would pay these after paying your basic necessities.

High-priority expenses may include:

- Insurance premiums to ensure you have adequate coverage on your home, home contents, car, health, and life  
Note: You may be tempted to cut or eliminate these premiums but think twice before you do. Having adequate insurance may help you and your family avoid further financial setbacks should something unexpected happen.
- Medicines, medical bills and health, vision, and dental expenses
- Other expenses that you deem important and a high priority

### **Remaining Expenses**

Prioritize any remaining expenses based on the money you have left each month. If you are unable to meet all of your expenses after determining ways to increase your income and decrease your expenses, contact your creditors and explain your situation.

## My Spending Priorities

List your expenses in order of priority, and identify expenses that you may decrease or eliminate to meet your monthly obligations.

	<b>Expense (Item or Creditor Name)</b>	<b>Monthly Amount Due</b>
<b>Essential Expenses (Basic Necessities)</b>		
<b>Higher-Priority Expenses</b>		
<b>Lower-Priority Expenses</b>		
<b>Expenses that may be reduced or eliminated</b>		