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EXTREME LIFE MAKEOVER: FINANCES, ORGANIZATION

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EXTREME LIFE MAKEOVER: FINANCES, ORGANIZATION

Timely bill paying could pay off

By Dawn Klingensmith

Special to the Tribune

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Two years ago, Trish King became a widow. Suddenly, credit card debt, a mortgage and an unreliable minivan were hers to face alone. She also had a funeral bill to pay, two children (ages 3 and 7) to raise and no life insurance. The problem, though, is not that her salary is too measly or her debt too monstrous. Her financial woes stem mostly from mismanagement.

"I have a good job, but my bills are always late because I'm so unorganized," said King, who makes \$70,000 a year doing sales and training for SBC Communications. "My other weakness is impulse spending, mostly . . . for my kids. I'm living paycheck to paycheck, and I can't seem to keep track of what goes in and out of the bank."

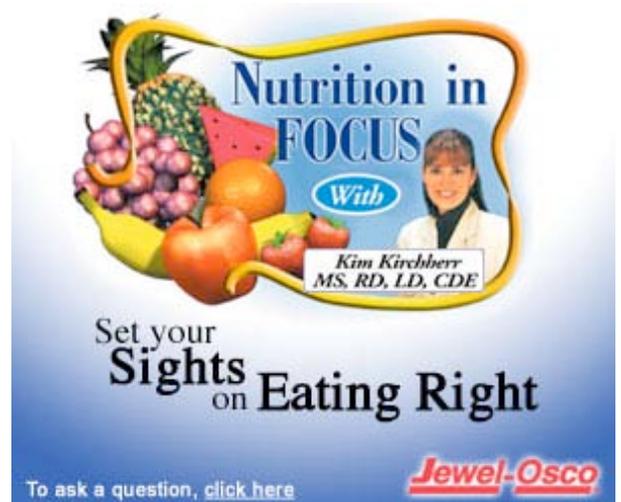
Financial adviser Nancy Liebman--whose Evanston-based business, Liebman Associates Inc. ([www.liebmanassoc.com](#), 847-866-6000), specializes in helping divorced women, widows and others in transition--reviewed King's budget and found she was spending about \$300 a month on purchases she couldn't account for.

"I expected that I might make some adjustments to the amounts of money that Trish had allocated for various expenses, but her budget looks pretty good," Liebman said.

It's sticking to it that seems to be the problem. Part of King's frittered funds go toward late payments for credit card bills, which she doles out at least every other month because her statements get buried in piles of paperwork.

"She needs to get some stability into how and when she makes her payments," Liebman said.

She recommended that King install Quicken banking and bill-paying software, which tracks and



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categorizes expenditures, on her personal computer. "It provides a good picture of where the money is going," Liebman said.

She also advised King to buy a file folder with pre-labeled pockets for each month and to toss bills in the appropriate slot as soon as she receives them. By paying bills on the 15th and 30th each month, King should not get hit with late fees, Liebman said.

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Recommendations for paying off debt

King's income is sufficient to maintain her current lifestyle and pay off all debts on the following schedule:

- Loan against her 401(k) (\$20,552): \$190 per month for nine years.
- Funeral expenses (\$4,100): \$171 per month for two years.
- Credit card and medical bills (\$1,600): \$133 per month for one year (assuming card isn't used).

King's current life insurance includes a \$71,000 death benefit. Liebman advised increasing coverage.

King would like to start a college fund. Liebman recommended waiting until both kids are in school. By then, some of King's debts will be paid, and she can reallocate monies for college.

King works at home but does not itemize deductions. Liebman advised her to have an accountant review her taxes to see if deductions can be taken for using her home for business.

King would like to accumulate savings equal to three to six months' wages for emergencies. Liebman said she could start building savings now by controlling impulse buying; reviewing her 401(k) loan and, if allowed, paying less per month for a few years; and reducing her tithe and contributing time instead.

-- D.K.

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