

Money Makeover: "We're Sick of Struggling!"



By Lambeth Hochwald

Nancy and Dennis Lovato have played by the rules — they've worked hard and steered clear of credit card debt. But with mounting medical bills and missed mortgage payments, this couple feels they're just steps away from bankruptcy. Our money expert has tips to help.

Nancy and Dennis Lovato worry about money all the time. With a large family to support — three daughters, Jessica, 19, Denice, 15, and Lexis, 3, as well as a 3-month-old grandson, Dominick — their top priority is to get a fix on their finances. "We live paycheck to paycheck," says Nancy, 35, an administrative assistant for the Las Cruces, NM, police. "Whenever the phone rings, we worry that it's a bill collector."

While the Lovatos don't have any credit card debt, in recent months they've been hit with some unexpected costs that threw their budget into a tailspin. There's a \$3,500 loan they took out to repair their broken septic tank. Then they racked up \$12,000 in medical bills, mainly from Nancy's treatment for mitral valve prolapse, a heart condition. And last but not least, the couple's finances have been stretched to the limit with fees for their 15-year-old daughter to attend basketball camps across the country — not to mention the travel expenses to get her there. "Denice has the potential to secure a college scholarship, and these camps help pave the way for that," says Dennis, 37, a utilities worker, also for the city of Las Cruces. "But the camps are paid for completely by parents."

The Lovatos have gotten some help from *their* parents, and Nancy's done a lot to keep the family's costs down, including cutting the insurance premiums for their three cars in half by switching providers. She's also working toward an accounting degree so that she can ultimately earn a better income. But these are just the first steps. Nancy and Dennis's goal: to get on track financially *and* be a good example for their kids. "I want my girls to see how to be financially responsible," Nancy says.

"Nancy and Dennis have already made some major strides in changing their financial situation," says **Dara Duguay, director of the Citi Office of Financial Education and editor of *The Citi Commonsense Money Guide for Real People***. "But in order for them to stop struggling, they're going to have to take a hard look at their spending and start making some serious decisions."

FINANCIAL ROADBLOCK: "We're overwhelmed by our medical bills!"

MONEY-SMART SOLUTION: Find out if you qualify for assistance.

In addition to her heart condition, Nancy has developed a mysterious illness that causes her limbs to go numb for hours and even days at a time. "Sometimes I can't even go to work," she says. "And if I'm only able to work two days of the week, I bring home minimal checks of only about \$200. That really hurts us."

Nancy's doctor now wants her to go to the Mayo Clinic in Arizona to get to the bottom of her health woes. While a visit to this top medical facility might finally provide her with the diagnosis and treatment she needs, Nancy is hesitant. "I might need to stay at the Mayo Clinic for a week, which means I'll be unable to work — and we just can't afford that," she says.

Nancy and Dennis are also helping their daughter Jessica pay off the bills she incurred during her pregnancy and delivery. And while the family does have health insurance through Nancy's job, it doesn't cover all the specialists she's seen — nor does it cover their grandson.

"It's unexpected life events, like a health problem, that can really derail a budget," says Duguay. She suggests that Nancy and Dennis research whether they qualify for government assistance. "With a gross income of around \$47,700 and six people in the household, they should qualify for several programs," Duguay says. "I know that it's tough to take government assistance, but they really need to consider it."

For example, Nancy and Dennis — who spend about \$75 a month on prescription drugs — should get in touch with the Partnership for Prescription Assistance, which helps people who lack coverage to access prescription medicines. The couple might also qualify for financial assistance for their health-care costs — a good match for Nancy and Dennis could be Patient Services Incorporated. As for their grandson, "there are programs in place to ensure that *all* children receive health care in this country," says Duguay. "There's no reason he should be without." One program that the Lovatos could look into is the State Children's Health Insurance Program.

When it comes to basic needs, there is a lot of help available for families. To find out about other programs, the Lovatos can log on to [govbenefits.gov](https://www.govbenefits.gov) or contact the U.S. Department of

Health & Human Services ([hhs.gov](https://www.hhs.gov)).

FINANCIAL ROADBLOCK: "Our monthly payments are too high!"

MONEY-SMART SOLUTION: Cut costs — and then pay down your debt.

Each month, the Lovatos come up short on cash for their bills. Last year, they even missed two mortgage payments. Now they have to pay an additional \$250 each month for the next six months. "We've taken out bank loans to cover our expenses, and my dad has helped us pay those back," says Nancy, "but we've got to figure out a better way to manage our money." While Nancy's already contacted her mortgage lender to renegotiate their monthly payments, there's still more that the couple can do to lower expenses. "There are several ways they can cut dollars each week," says Duguay. One way is to cut back on meals out. "And their utility bill is high at \$300 a month," she says. Instead of running the air-conditioning or heat all day, the family should turn it off while they're out, which could cut their bill by a third. And Duguay suggests the couple look closely at *every* bill. "Check your phone bill line by line," she says. "If you have voice mail or three-way calling, cut them." The same goes for cable and cell phone bills. "A little trimming can add up to big savings," she says.

Nancy and Dennis may also be able to save on their taxes. The couple should find out whether they qualify for the Earned Income Tax Credit, a federal tax credit. (For more information, visit [irs.gov](https://www.irs.gov) and search for "EITC.") "If the Lovatos get a refund, they should use that money — as well as any cash they've shaved off their expenses — to pay down their debts," Duguay says.

FINANCIAL ROADBLOCK: "We feel like we're failing as parents."

MONEY-SMART SOLUTION: Build a nest egg to get ahead.

"I hate that our kids know how much we struggle," says Nancy. She and Dennis worry that if they don't get their finances on track, not only will their kids feel deprived but they'll also repeat their parents' money mistakes.

"Once the Lovatos cut costs and get some assistance, paying for things won't be as difficult," Duguay says. She encourages the couple to start putting a portion of any windfall, such as the Economic Stimulus Act rebate check they'll receive this year, into a savings account. "An emergency fund will allow Nancy and Dennis to have more choices," she says. "They'll be calmer, and their kids will notice the difference."

As their financial situation gets better, worries about bills and not being able to afford things will diminish. "In their place will be the ability to plan — and save — for the future," says Duguay. And setting a good example for their kids will finally be within their reach.

THE COUPLE'S REACTION

NANCY: "I didn't know about all these programs out there! I've already e-mailed one of the agencies Dara recommended. I feel better knowing we'll be able to get some relief with our medical costs."

DENNIS: "Since we spoke with Dara, I've been trying to cut down on our utility bills. We cut back to the minimums on our cable bill. We also stopped ordering takeout — I used to buy it so that Nancy wouldn't have to cook. I've always wanted to speak to a financial adviser, and Dara was really helpful."

Money Makeover Update



How are they doing now? Nancy and Dennis update us on their progress since their financial makeover.

NANCY: We have lowered our heating bill simply by not leaving the heat on all day and lowering the thermostat. We turn off the lights when we leave the room, and our kids are doing the same now. We have managed to lower our mortgage payment with our lender and we have also paid off two of our personal loans with our income tax [refund], and that should help out tremendously. We have also switched our cell phone company, which helped us a lot.

I still need to look into changing our cable company to a satellite instead to save money there. Speaking with the financial adviser was great, and it's something I have always wanted to do. Perhaps I'll pursue it and even become one after graduating — it's between that and a forensic accountant. Dennis found his experience with the expert helpful. He felt she offered some good suggestions on how to get control of our situation and make some

minor adjustments to save money. I feel that we have made several great changes, and with Denice halfway through her therapy that is another expense we will no longer have. My dad will now be buying Denice a car just like he did for our other daughter, which definitely helps with that huge expense. The changes are still very new, and we have not enjoyed the full effects of the money we have freed up. We still have our medical bills. However, by freeing up some money, hopefully we can start to pay those little by little.

DENNIS: I'm happy that we have been cutting back on our electricity bill simply by turning off the lights, television, etc., when leaving the room. Although we were already in the process of some of the suggestions that were given to us, at least we know we are on the right track. We have lowered our mortgage payment for four months. We were told that if we made our payments on time we should be able to go back to our original payment. That alone would save us about \$200. Our biggest problem is our secured loan on our car; we are desperately trying to figure out a way to get out of that high interest payment. Since our family has grown we need a larger vehicle for all of us (so we don't have to travel in two vehicles everywhere), so we are thinking of possibly trading in that vehicle and having that loan paid off. We think that since we are already making a payment, why not make that payment on a used larger vehicle, which we need instead. Our daughter Denice is attending driving school now and will need a vehicle; fortunately my father-in-law will buy her a car just like he did for Jessica, but our new problem will be the insurance. Overall I feel like we are on the right track, and eventually things will get better.