Mental Health America
(/)

Managing Your Money

Managing money well is a problem for many people. For people living with a mental illness, however, financial situations can become even more complicated. Substantial medical bills coupled with a limited income can make money management extremely challenging. Although financial pressures can be stressful, there are ways to get a handle on your finances and reclaim your financial independence.

Develop a Spending Plan **Getting Help** **How to Save**

Develop a Spending Plan

If you find that you are frequently running out of money before you receive your next check or that you are in debt from borrowing from friends and family, you may want to review your finances and make a spending plan. Spending plans can help you prepare in advance.

Step 1: Know Your Income

You should make sure you know exactly how much money you expect to get and when you expect to get it. If you receive regular checks from the government or an employer, you should know what to expect. If your hours and pay varies from week-to-week or you are self-employed, you should project an **average** set of wages.

Step 2: Know Your Regular Expenses

Look at the previous month and think of all the expenses that you regularly have to pay. Some expenses, such as rent, will have a fixed cost. Others will vary based on usage (such as power) or what you've spent. These expenses might include:

- **Rent**
- **Utilities (telephone, cable, Internet, power, water, trash)**
- **Groceries**
- **Insurance**
- **Medications**
- **Transportation costs**
- **Medical costs not covered by insurance**
- **Entertainment and leisure costs**
- **Personal costs**
- **Any debt repayments**

Step 3: Use All Of This Information To Create A Spending Plan.

A spending plan serves as a good guideline.

Step 4: Print Out This Daily Spending Journal (/Sites/Default/Files/Spending_Journal_worksheet_-_NEFE_2008.Doc)From The National Endowment For Financial Education's (NEFE) Guide "Your Personal Financial Growth."

No matter how well we plan, there is always a temptation to buy something extra-chips or soda from a vending machine, a new pair of shoes, or a coffee from a store you walk by. Impulse buying can be fun and rewarding, but impulse buying on a regular basis can cause financial troubles.

If you write down everything you buy in a daily spending journal-even if you just buy a newspaper for $0.50-you will get a chance to uncover some new information. You may not think that three cans of soda a day is a lot, but each can costs a dollar. Three cans a day is $3.00. If you drink three cans of soda every day for a year, you spent $1095 on soda. If you smoke a pack a day at $5/pack, you spend $1,825 a year on cigarettes alone.

Getting Help

If you are having a difficult time managing your money despite efforts to track and regulate your spending, you may want to consider asking a trusted family member or friend to assist you with your finances. There are several ways you can do this.

Informal mentoring by others - Friends, family, and volunteers may help you manage your finances. Schedule a regular meeting to have someone come over and help you look at your finances and see whether you have been spending well.

Mentoring or Assisting Programs - One of the easiest ways to get help with your finances is to join a mentoring or financial assistance program. If you are part of a financial institution, there may be advisors on staff who can help you manage your money. Local non-profits might also offer training.

Power of Attorney - If, because of your condition, you are unable to manage yours affairs, you can give other people the ability to exercise some or all of your actions in your name, including financial actions, through a power of attorney. A power of attorney is a legal document and needs to be notarized. The more specific and limited a power of attorney is, the better. For example, a good power of attorney might authorize Jane Doe to make withdrawals from your bank account to pay your utility and rent bills only. A more broad power of attorney allowing Jane Doe to make withdrawals from your bank account could cause more problems.

Representative Payee - If you are receiving disability income from the Social Security Administration and you are a minor or cannot manage your money, you may be assigned a representative payee. The representative payee, which could be a person or an organization, will receive your check and spend it on your behalf. The payee must spend the money for your benefit, save any unspent money for you, and make reports to the Social Security Administration. Unless they have been appointed as your guardian, the representative payee does not have a power of attorney to conduct legal transactions for you. You can read more about rep payees at http://www.ssa.gov/payee/faqrep.htm (http://www.ssa.gov/payee/faqrep.htm).

You should always enter any of these relationships with **extreme** caution.

- **Turning over your financial information will give another person access to your private information-what you've bought, where you've been.**
- **Once you turn over financial decision making power or authority to another person either willingly or as part of a prescribed plan, you may have a very difficult time getting your autonomy back.**
- **You should not turn over decision-making power to anyone who could profit by you, such as a landlord who owns the place you rent or a doctor who is in charge of arranging appointments. No matter how much you trust those people, it places you and them in a harmful situation.**
- **If someone spends your money on something you don't want, you may have a hard time proving that fact.**

How to Save: Creating a Savings Plan

Once you have regained control of your day-to-day expenses, you might want to consider a savings plan. If you are a recipient of Social Security benefits or Medicaid, you should always make sure to ask how much you can save without violating the conditions of your arrangement. Saving can be something as easy as waiting for enough money to buy a DVD player or go on a vacation, or it can be used for long term projects like getting an education, sending a child to school, or retirement. Here are some helpful tips on how to save money.

Save a little at a time - Saving a little at a time can make reaching a goal less daunting. If you want to buy a DVD player for $120, that could be a significant chunk of your monthly expenses. If you think instead that you're only setting aside $10 a month for 12 months, that's not anywhere near as bad-it's harder to miss $10 than it is to miss $120.

Open a different bank account - If you put your expenses in a bank account, open a savings account and put in a small amount of money ($10 - $25) each month. You will not feel the impact of $10 a month, but over 2 years, you will have saved almost $250. Having a separate bank account that you don't check regularly may help you save. You can ask people at your financial institution how to transfer money automatically, so you don't have to remember to do it yourself.

Decorate a piggy bank - If you're saving for a trip to Florida, decorate a can or jar with pictures of the beach-sand castles, beach umbrellas, and seashells. If you empty your pockets every night into a piggy bank, you'll be surprised at how fast the money builds up.

Bargain with yourself - Make a fun deal with yourself, helping you to balance splurging and saving. Every time you drink a soda, drop a quarter in your piggy bank. Or every time you treat yourself to ice cream, put the same amount away.

Hold on to unexpected windfalls - If you receive an unexpected amount of money from a raffle, a birthday gift, a tax return, or an inheritance, it can be tempting to spend that "free money" right away. But if you are saving up for something you want, an unexpected gift can help move you faster toward your goal. Always consider holding on to sudden winnings if you can afford to save.

If you receive Supplemental Security Income (SSI) from the Social Security Administration, receiving an unexpected windfall that is large can be a problem. It may be necessary to establish a trust to hold the money and spend it on your behalf.

Save through your employer - If you work for a business, your business may offer a retirement plan, such as a 401(k) or a 457(b). This allows you to take money out of your paycheck before taxes are calculated to save for retirement. However, if you need to withdraw money from your 401(k) before you retire, you will have to pay harsh withdrawal penalties.

Create a PASS Plan -If you receive SSI, when you go to work special rules, called work incentives apply. It is important to understand all the rules that apply to working before you start back to work. If you make a lot of money working, it can affect your eligibility for Medicaid. However, if you have an approved Plan for Achieving Self-Sufficiency (PASS) you can save your extra earnings in a separate account that will not be counted against your asset cap. You must use the savings later to carry out your plan, which might be getting training or education, or buying the tools you need for your trade.

RECOVER YOUR LIFE

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