



When Your Income Drops

Four Steps to Create a Short-term Plan

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A short-term loss of income can be devastating. There are steps you can take to look ahead and plan ways to weather the storm. Read through the four steps below, and then complete the exercises associated with each step. This process will help you take inventory, brainstorm, and create a short-term plan to get back on your feet.

Step 1: Inventory

Begin by “inventorying” your (a) monetary and human capital, and community resources, and your (b) fixed, flexible, and occasional expenses.

- a. First, make a list of all resources available to you. Include monetary resources such as assets, income, savings, and cash, as well as human capital resources to include talents, skills, education, time, etc. Anything that could contribute toward household expenses or income should be listed. Next, identify community resources that may be used temporarily to supplement your income or reduce expenses. Once you’ve completed your inventory lists, it will be clear what resources you have and what you need to cover. NOTE: It is important to leave retirement investment assets alone for financial planning purposes. Leave borrowing from retirement accounts for a worst-case scenario situation. Consult with a financial professional regarding these decisions (see Further Resources).
- b. Second, inventory your expenses. List all fixed expenses, where the amount does not change, that you must pay every month, such as gas, groceries, and utilities. List occasional expenses that do not occur every month but will be coming soon (within the next three months).

Step 2: Brainstorm

Next, use your inventory list to brainstorm ideas under each of the three areas that follow. Include a spouse/partner and family members who may need to be involved. Brainstorming can be a powerful tool to help you adapt and innovate. During the brainstorm, write down ALL ideas.

Step 3 will then help you narrow down and choose your exact plan of action to move forward. List ideas to:

- a. Temporarily simplify your lifestyle and decrease expenses.
- b. Increase income.
- c. Consider how community resources may help you increase income and decrease expenses.

Step 3: Make A Short-term Plan

Your next step is to make a short-term plan to adjust to your loss of income that includes the current resources available to you (Step 1), and the ideas you’ve brainstormed (Step 2). Choose options based on your immediate need. Prioritize your expenses by order of importance: food, shelter, transportation, utilities, phone, insurance, essential medications, etc. The questions in Step 3’s exercises may help you as you make your plan.

Step 4: Revise and Maintain

Revisit and revise your plan regularly until things stabilize. Repeat the three previous steps as additional information and resources become available. The four-step process will get easier each time you repeat and revise. Lastly, as you move into the maintenance phase, and your financial situation improves, continue to make purposeful decisions and prioritize purchases. Now is also a good time to replenish resources like your emergency fund, food storage, and other savings (see Further Resources).

Step 1: Inventory



Resources

Monetary, property & human capital

Monetary Resources	Amount/ Value
Cash	\$
Checking account	\$
Savings account	\$
Investments	\$
Primary residence	\$
Vehicle(s)	\$
Jewelry	\$
Art/Collectibles	\$
Equipment Other	\$

Expenses

Fixed, flexible, & occasional

Fixed Expenses	Amount
Tithes/donations	\$
Primary mortgage	\$
Second mortgage	\$
Home equity loan	\$
Vehicle(s)	\$
Student Loans	\$
Medical	\$
Credit card(s)	\$
Other	\$

Flexible Expenses	Amount
Savings	\$
Gas	\$
Utilities	\$
Groceries	\$
Clothing	\$
Entertainment	\$
Eating out	\$
Kids	\$
Pets	\$
Personal allowance	\$
Other	\$

Human Capital Resources	Describe
Education	
Skills	
Talents	
Time	
Other	

Occasional Expenses	Amount
In the next 3 months	
Car maintenance	\$
Car registration	\$
Gifts	\$
School registration	\$
Other	\$

Identify Community Resources

Examples: Call 211 or visit 211utah.org for resources in your local area. Individual county resources may include emergency housing assistance, unemployment benefits, food stamps, medical clinics, heating assistance, childcare assistance, legal services, job service centers, etc. Faith-based organizations may provide resources to members of their congregation.

Organization or Agency Name	Contact Information	Date Contacted	Notes of Conversation	Resolution



Step 2: Brainstorm

IDEAS TO TEMPORARILY SIMPLIFY YOUR LIFESTYLE AND DECREASE EXPENSES

Step-down Spending

Follow the step-down principle process to step-down your flexible spending categories:



Examples: Eliminate non-essential spending; decrease number of drive through and convenience store trips; buy a less expensive brand; apply for community resources which can act as a temporary supplement to decrease expenses and/or increase income, etc.

I can step-down my spending by:

Control Impulse and Panic Buying

Evaluate what the household really needs rather than relying on social trends.

Examples: Inventory food, emergency, and medical supplies, etc.

I can control impulse and panic buying by:

Communicate with Mortgage Lenders and Creditors

Contact your creditors and explain that you are experiencing a financial hardship. Ask them about options for temporarily reducing or suspending your monthly payment. Be prepared to offer factual information including your current amount of income, the reason for the financial hardship, and the payment amount you can afford. Mortgage lenders usually require a formal application for their loss mitigation and assistance programs. It is recommended that you seek assistance through a HUD-approved counseling agency for mortgage-related concerns (see Further Resources).

Keep track of contact with your creditors.

Example:

Creditor	Contact Information	Date Contacted	Notes of Conversation	Resolution
Dr. Jones	jones@doctor.com 123-4567	3/28/2025	Payment plan set for \$400 balance	I pay \$20 instead of \$40 per month for 3 months. Contact again in July.

IDEAS TO INCREASE INCOME

A temporary increase in income can come from opportunities related to your human capital (education, skills, talents, and time) and any community resources you qualify for.

Examples: Temporarily work a second job; find another job; help other household members (non-working spouse or teens) find a job; sell items of value; apply for community resources which can act as a temporary supplement to decrease expenses and/or increase income, etc.

I can increase my income by:

Step 3: Your Short-term Plan

Now that you have inventoried and brainstormed, you are prepared to make a plan and take action. The following questions will help you evaluate necessary changes and identify the most feasible ideas. Don't forget available community resources and the resolution you made with your creditors.

How much of your income did you lose? _____

Of the income lost, how much do you need to replace? _____

How much income is still coming in? _____

How long can you get by with the resources you have? _____

What assets could you more easily part with? _____

What is the total amount of your high-priority expenses? _____

When is each bill due? _____

What will you do if an unexpected expense comes up? _____

My Short-term Plan Timeline

The action I will take **today** to simplify my lifestyle, temporarily decrease expenses, and/or increase income:

The action I will take **this week** to simplify my lifestyle, temporarily decrease expenses, and/or increase income:

The action I will take **by the end of the month** to simplify my lifestyle, temporarily decrease expenses, and/or increase income:



Step 4: Revise and Maintain

Revisit and revise your plan regularly until things stabilize. Repeat the three previous steps as additional information and resources become available. When things stabilize, evaluate what you can do to replenish resources like your emergency fund, food storage, and other savings (see Further Resources).

What changes are working?

What resources need to be replenished? How can this be done?

What purchases have you delayed? How can you plan these into your budget?

Further Resources

4 Key Considerations When Choosing A Financial Professional. Available at: digitalcommons.usu.edu/extension_curall/2001/
Your Financial Wellness Wheel. Available at: digitalcommons.usu.edu/extension_curall/2033/ Find a local housing counseling agency: U.S. Department of Housing and Urban Development apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm

Consumer Financial Protection Bureau: consumerfinance.gov

Utah Money Matters: utahmoneymatters.org

Utah State University Extension Personal Finance Website: extension.usu.edu/finance

References

Johnson, C. (2020). What to Do When Your Income Drops. North Dakota State University Extension. FE274. Available at: ag.ndsu.edu/publications/money/what-to-do-when-your-income-drops

Rupured, M., & Campbell, C. (2017). When Your Income Drops. University of Georgia Extension. Circular 1041-1. Available at: extension.uga.edu/content/extension/publications/series/detail.html?id=66&name=When%20Your%20Income%20Drops

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