**Increasing Your Income**

Sometimes more money can come from turning a hobby into a second job, getting a tax refund, reducing the amount of taxes withheld, or selling stuff you don’t use anymore. Even small changes can add up. But it’s just as important to understand how decisions to cut costs to save money can affect your future financial security.

***Dropping or Decreasing Benefit Contributions:*** When you look at your paycheck, what deductions do you see listed? Some deductions might be non-negotiable, like a pension plan, while other contributions might be scaled back even if temporarily. Check with your human resources office to find out which payments are under your control.

**Keep in Mind:**

* **Health coverage:** There are typically restrictions and enrollment periods surrounding health care plans and supplemental policies that may prevent or postpone your ability to cancel coverage. If you drop a policy and later want to re-enroll, you may face issues around pre-existing conditions and waiting periods. Starting Jan. 1, 2014, almost all Americans will be required to have health insurance or pay a federal penalty. Find out more about health care coverage at: healthcare.gov
* **Retirement savings:** Some pension programs are mandatory, but you might also have voluntary retirement contributions taken out of your paycheck. Cutting back on retirement savings can add more to your monthly budget now, but you’ll have less money when you’re older which could mean working longer or living on less later.
* **Life and disability insurance:** Some policies are mandatory, while others could be cancelled. Dropping some types of protection could leave you and your family at risk for financial more trouble. Instead of dropping coverage entirely, are there options to increase your deductible or waiting period? Just make sure you have money to cover a large deductible if needed.

***Taxes and Tax Credits:*** A drop in income might affect the amount of taxes you have withheld from your paycheck. You might also be eligible for tax credits, such as earned income, child tax credit, or homestead credit, when you file your taxes next year.

**Keep in Mind:**

* **Do the math**: You don’t want to be in a position of having too little taxes withheld and then scramble for money next April to make a tax payment.
* **File taxes even if you don’t owe money:** Tax credits can either be *refundable*, meaning they will add to your refund if you don’t owe any money, or *non-refundable*, meaning they will only credit you if you owe money. While deductions are subtracted from your income, tax credits are subtracted from your tax due. Which is better depends on your income level.
* **To find out more:** Visit the Internal Revenue Website at: www.irs.gov.

***Selling Assets:*** Selling items online or at a rummage sale can help you come up with cash to put toward your monthly bills. While this can be a good one-time source of cash to pay down debt, it doesn’t add to your monthly income to cover future debt payments.

**Keep in Mind:**

* **You could lose money**: When selling, you typically won’t get as much money as you paid for an item. If you plan to replace the item when you get back on solid financial ground, this option could cost you more money in the long run.
* **Are you really willing to sell?**: You might own some family heirlooms or items with sentimental value that would be too hard to part with.
* **Do you own it?:** You might not be able to sell an item that is being used as collateral for a loan. Sometimes the creditor will give you permission to sell the item, such as an auto, in order to use the money to pay off the balance on the loan.

***Withdrawing Retirement Savings***: The Internal Revenue Service allows “hardship withdrawals” from certain retirement plans under circumstances that present an immediate and heavy financial need, including preventing foreclosure or eviction. Your withdrawal is limited to the amount of money you paid in and does not include any employer match or interest income. A withdrawal is not considered necessary if you still have other options available to you, such as getting a bank loan or selling assets.

A hardship withdrawal is different from taking a loan out of your retirement account. Unless you’re purchasing a home, a loan must be repaid within 5 years with payments beginning immediately. On the other hand, a hardship withdrawal doesn’t need to be paid back. If you take out a loan and then leave the company before the loan is paid back, you must repay the loan right away or else pay taxes and penalties.

**Keep in Mind:**

* **You could owe more taxes:** Withdrawals are taxed as income, plus there’s a 10% penalty added on, so you need to figure this amount into how much savings you plan to withdraw. It’s extremely important to check with a tax professional about penalties and taxes due if you are considering cashing in a retirement policy. Find out more on the IRS website at: www.irs.gov.
* **There are exceptions for withdrawals:** A retirement plan is not required to offer hardship withdrawals. Your options for withdrawing savings also depend on the type of plan you have, such as a 401(k), 403(b), 457(b) or IRA.
* **The long-term impact**: A hardship withdrawal permanently lowers your retirement savings since the money can’t be paid back once it’s taken out. Also, you won’t be able to contribute to any retirement account for at least 6 months following a withdrawal.
* **If it comes down to bankruptcy:** Retirement savings are exempt from seizure by your creditors during a bankruptcy. Once you’ve spent the hardship withdrawal from your retirement savings, what other options do you have for keeping up with your bills? Borrowing from retirement savings may not be the best option if you end up filing for bankruptcy a few months later.

**Increasing household resources**

When’s there not enough money available to cover monthly bills, there are other ways to balance the family budget. If your income has dropped, you may be eligible for a number of programs that target individuals and families with lower incomes. Government and non-profit assistance programs can help bring in needed resources, such as housing, heating, or food payment assistance.

Most programs don’t use the poverty line as a cutoff point for eligibility, but instead many programs have eligibility criteria that are based on multiples of the poverty line. For instance, school meals are generally provided at no cost to children with family incomes below 130% of the poverty line, and school meals are at reduced cost to children with family income up to 185% of the poverty line.

**Dial 2-1-1**

If you are having immediate trouble meeting your basic needs, call 211 for a local directory of all the government and non-profit programs, agencies, and organizations that seek to provide services to low-income individuals.

****The state of Wisconsin and the federal government offer many programs to help you find financial security. Check out access.wisconsin.gov or contact your county human services office to see if you qualify. To find out more about affordable healthcare options, go to healthcare.gov or call 1-800-318-2596.