

Fishing Family Expense Tracking System

by
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and
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The OSU Fishing Families Project



**Oregon Sea Grant
Oregon State University
ORESUG-98-004**

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Support

This project was funded by the National Oceanic and Atmospheric Administration, through Oregon Sea Grant (grant number NA36RG0451 and project number A/FDF-2), and by appropriations made by the Oregon State legislature.



Credits

Editor: Sandy Ridlington

Production: Cooper Publishing

Cover design: Ralph Penunuri

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ISBN 1-881826-13-9

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Introduction

These days, industry and societal changes occur so fast that it's hard to keep up, much less adjust. Change is nothing new to West Coast fishing families. The industry's history is one of prosperous seasons alternating with poor ones.

Fishing families and businesses have traditionally been very resilient, learning over time how to manage these cycles in addition to the day-to-day realities of family separations when the boat is at sea; worries about the weather, markets, and seasons; and business planning for the future. But with more focus on the management, protection, and restoration of fishery resources, the situation becomes more complex and it's harder to bounce back when cycles are low. It's difficult to make good business and family decisions when there are many unknowns and the situation is constantly changing.

The OSU Fishing Families Project (FFP), an experimental outreach program funded by Oregon Sea Grant and the OSU Extension Service, partners with fishing families to address the real needs and interests of families and businesses in their local communities. The FFP provides practical information and networking support for adapting to changes in fishing.

In 1996 we held workshops in ports along the Oregon coast, discussing and sharing information related to fishing family finances, expense tracking, and tax information. In these workshops boat owners and crew members, wives and husbands,

mothers and fathers, shared their challenges, concerns, strategies that have worked, and desire for tools to “get a better handle” on the financial situation. Everyone agreed that finances can be a major source of stress and conflict for fishing families.

We listened carefully to you. This expense tracking system was designed to provide fishing families with practical help in

- Keeping track of where money goes
- Creating a personalized expense tracking system that works for you, your business, and your family
- Keeping good records for tax preparation
- Reducing stress and conflict around finances

The Family Fishing Expense Tracking System is a way to begin to gather information to help you make decisions about your family, your business, and your future. This is a first step. It is not a complete bookkeeping system.

Using this system is NOT doing your taxes; but it will help you have better records for tax preparation time. This material is not intended as a substitute for legal, accounting, or tax advice.

PART I: Fishing Family Finances

Managing the finances in a fishing family is not easy. In most fishing families, family life and business life are intertwined. There are times when the family makes sacrifices for the business, and times when the business makes sacrifices for the family. The challenge is to keep things in balance as much as possible. One part of that balance is the finances. You need to know how much income is received from all sources—from fishing, from other employment, and from investments. You need to plan how the income will be divided between the family expenses and the business expenses.

Estimate Yearly Income Amount

Using tax and other financial records, review your total income for the past three or four years. Is income for the current year likely to be higher or lower than it was in past years? What is a reasonable income to estimate for this year?

Estimate income based on the best information you have, being as realistic as possible. If your income varies greatly from year to year, estimate a range—the lowest and the highest you think this year’s income might be.

Timing

When during the year will you receive income? Using form 1, Graph of Estimated Income from All Sources, By Month (page 30), plot by month *all* of the income you anticipate. (See example on page 6.)

Part of your planning is to devise ways to set aside money during the months with income for use in the months with little or no income.

Income for Family and Business

The total income from all sources is used for family expenses and saving toward family goals, for business expenses, including the payment of taxes and Social Security contributions, and for future business goals and investments.

In your family, how much income is required or desired for the family? How much income is required for the business?

Income Received

As income is received, both fishing and nonfishing income, record it on form 2, Record of Actual Income and Withholding from Fishing and Nonfishing (page 31). It is important to have records of income.

Compare the actual income with the estimates on form 1. If there is a difference—that is, if actual income is either higher or lower—make the necessary adjustments in your plans.

“It can seem like free money without planning. When payday comes, instead of our thinking, ‘Here’s all the money to buy a new truck,’ this [system] could help us to estimate our living expenses and tax needs until the next check comes.”

Fisherman

An Example from One Family—Amount and Timing of Income

Income: Amount

Norma works for the school district from September through June. Her gross annual salary is \$15,000. She brings home \$1,000 a month. Some years she has the opportunity to work part-time in July and August, but she never knows until the last minute.

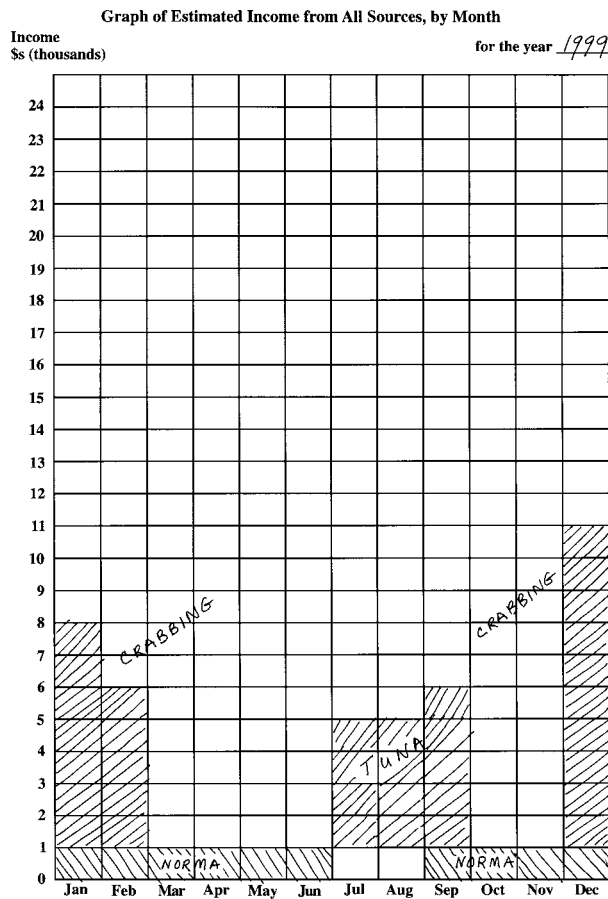
Bob is a crewman and estimates that his fishing income for this year will be \$37,000. He is crabbing in December, January, and February. Based on past years and what he hears about this year, he estimates his share will be \$10,000 in December, \$7,000 in January, and \$5,000 in February. He fishes for tuna in July, August, and September and

estimates his share will be \$5,000 a month. Between seasons Bob hopes to get work repairing boats.

Income: Timing

Norma and Bob plot their anticipated income for each month using the form below. They enter Norma's take-home pay and Bob's gross income from crabbing and tuna fishing.

As they look at this, it is clear that they will have to set aside money during the months Bob fishes, for the lean months (March, April, May, June, October, and November).



Sample of form 1. Graph of Estimated Income, by Month

Separating Family and Business Expenses

Keeping separate records for family and business expenses is helpful. If your business is a partnership or a corporation, separate business records and accounts are a must. If your business is a sole proprietorship, separate business records are recommended. For more information on the organizational structure of a business, see pages 22-23.

In some instances, particularly with crew members, separate checking accounts and credit cards for family and business may not be feasible because of the cost. However, even if you use the same checking account and charge cards for family and business, you can develop techniques to separate business expenses and family expenses.

One family told us their record keeping was helped by having Dad open an account at the gear store. Instead of paying with cash, he charges items. When they receive and pay the monthly bill, they have a record of his business expenses. It's not perfect, but it's better.

Another family said that writing notes in their checkbook ledger and on credit card receipts helped them separate the business expenses from the family expenses. (See the example on page 7.)

Income Taxes and Social Security Contributions

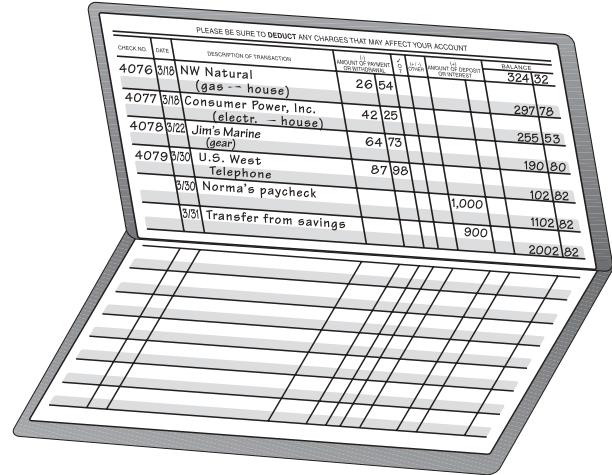
Fishermen are usually considered self employed by the Internal Revenue Service. Therefore, there are no withholdings from the crew share for federal and state income taxes and Social Security. This is an expenditure that often causes the greatest worry and tension. *It is the crew member's responsibility to pay these taxes.* For more tax information for crew members, see pages 24-25.

Using tax returns and information from your accountant or tax preparer, estimate the percent of fishing income needed for Social Security and state and federal taxes. Develop a plan to set aside

a portion of income for tax payments each time income is received. This money can be put into interest-bearing checking accounts, money market accounts, or short-term certificates of deposit.

One family in southern Oregon said that “to minimize the chance of using this money for something other than tax payments, we deposit it in a California account, making it harder to withdraw.”

In addition to setting aside money for payment of taxes, set aside money for family expenses and family goals, and business expenses and future business investments.



Sample checkbook ledger with notes

Fisheries, Inc.
Newport, OR 97365

DATE 10-10 19 99

TO Bob Bowman

ADDRESS _____

CITY _____

9-23	tt 9587.11	15%		1438.07
9-26	tt 3741.07	15%		561.16
9-30	tt 5299.75	15%		794.96
				2774.19
	63 Crew draw check # 1107			<500.00
10/12/98	Put \$700.00 into tax acct.			
	Put \$700.00 into reserve acct.			
	Put remainder into checking acct.			
				2294.19

Sample settlement sheet

The Example Continued: Division of Income between Family and Business

As Bob and Norma reviewed their financial situation they learned the following:

- On the basis of the estimates from their tax preparer, they need to set aside one-third of Bob’s fishing income for payment of taxes and Social Security.
- They need a minimum of \$2,000 a month for family day-to-day expenses.

Here is the plan they devised (shown on the sample settlement sheet to the left):

They are going to set up a tax savings account to accumulate money to pay taxes. They will deposit one-third of Bob’s fishing income into this account. If the estimated \$37,000 fishing income is correct, the yearly amount in the tax account will be about \$12,000. This, combined with the taxes withheld from Norma’s pay, should be adequate. If it is more than the amount needed for taxes, the extra will be used to pay some of their debts.

All other income from fishing or work Bob gets between fishing seasons will be deposited into a second reserve savings account. Money from this account will be transferred to the family checking account as needed for either business or family.

Norma’s check will be deposited into the family checking account.

PART 2: The Family Budget and Record Keeping

Managing the family budget in a fishing family is not easy. You have regular monthly expenses but do not have regular monthly income. Even with irregular income, budgeting is possible. In fact, budgeting may help lessen the tension and worry of irregular income. Budgeting is most important when you are experiencing changes in income or changes in expenses. Budgeting and record keeping may give you more control over your finances.

Step 1: Estimate Family Income

To prepare a budget, you need an estimate of how much income is expected in the year (amount) and when it will be received (timing). Of the total income, how much is available for family expenses?

Step 2: Estimate Family Expenses

To prepare a budget, you need an estimate of the family expenses (amount) and the months when the expenses occur (timing).

Expense Categories

Using form 3, Suggested Family Expense Categories (page 32), develop a list of family expense categories that is appropriate for your family. If there is an expense on form 3 that you do not have (for example child care), cross it off. If you find a couple of expenses that you think should be lumped together, combine them. For example, if you buy most of your cleaning supplies at the grocery store, you might change “food” to “food and household supplies” and delete “cleaning supplies” from the household expense category. When you add, delete, or change categories, do it on all your family forms. *Try to keep the categories consistent on all forms.*

If you are using a computer budget program, understand the expenses included in each category. If you think there are too many categories, you may combine some categories.

Amount of Expenses

Using your revised list of family expense categories, record what you think your family spends for the items in each category. Use any records you have—old bills, canceled checks, checkbook ledger, credit card statements, receipts. Do the best you can. As you have more experience tracking expenses, you will have better records of past expenses and therefore better estimates of future expenses. See the sample below.

Suggested Family Expense Categories ¹			
	Monthly Amount ²		Monthly Amount ²
Food		Personal expenses	
household		Allowances	
Groceries, other food supplies	7.50	Beauty care, toiletries, haircuts, etc.	15
Meals eaten out/school lunches	1.50	Hobbies, pets—vet care, etc.	100
Other		Entertainment	
Housing		Cigarettes, tobacco, etc.	
Rent/mortgage payment	1,000	Alcohol, other beverages	
Property tax, insurance	12	Other	
Fuel (boat) Pellets	25	Education	
Gas, electric	160	School costs	
Water, sewer, garbage	60	Tuition Montessori	150
Maintenance, repair		Books	
Other Alarm system	25	Supplies	
Hot tub supplies	5	Magazines/subscriptions	
Household Expenses/Supplies		Lessons Dance	75
Cable TV	40	Equipment	
Maintenance		Newspapers	4-5
Regular repairs		Other	
Towels, linens, etc.		Life insurance	
Cleaning supplies		Prudential Due on 9 th	100
Telephone	50	(auto deduct)	
Other		Donations	
Transportation			
Car Payment	330	Family Care	
Gas, oil	50	Child care	25
Auto repairs, tires		Alimony/child support	
Automobile insurance, license fee, etc.	31	Other	
Public transportation, parking		Miscellaneous	
Other		Gifts (Kid Birthday parties)	5
Clothing		Other	
Normal needs for family members	?	Savings	
Seasonal clothes		Savings account	
Laundry, dry cleaning, repair	10	Retirement fund	
Other		Other	
Medical			
Doctor			
Dentist			
Prescriptions, drugs	40		
Eye glasses/contact lenses			
Insurance health hospital Due on death	418		
Other			
Creditors past due	100		
Doctor			
Hospital	50		

¹If there are items listed that are not expenses for you, cross them off. If you have expenses that are not on here, add them. Adapt the list and the headings to fit your situation.
²For expenses that do not occur every month, note the month the expense occurs.

Sample of form 3. Suggested Family Expense Categories

Timing

Expenses may be described as regular or irregular, and fixed or variable. A regular expense occurs at a regular and predictable time, usually monthly. An irregular expense does not occur at a regular and predictable time. A fixed expense is the same amount each time it occurs. A variable expense is not the same from time to time.

The easiest expenses to predict are those that are both regular and fixed. For example, your rent or mortgage payment is probably due every month (regular) and is the same every month (fixed).

Irregular and variable expenses are the ones that make budgeting difficult. As you estimate an irregular expense, make a note telling you when the expense occurs. For example, if the truck insurance is due in February and August, indicate the dates along with the amounts.

Are there some expenses for which the payment dates may be changed? For example, if insurance payments are due once or twice a year, would it be helpful to have them come due in high-income months? If so, talk with your insurance agent about changing the premium due date.

Step 3: Prepare the Budget

A budget, or spending plan, is an estimate of the income and expenses for the month. Use form 4, Family Budget for the Month of _____ (pages 33-34), and the estimates of income (form 1) and expenses (form 3) to prepare a budget for the month. (See the samples on this page and the next.) Remember, the categories should be consistent on all forms. If you change a category on one form, change it on the others.

Recognize that these are estimates. It's okay to round off to even dollars. You don't have to budget every penny. In fact, it's good to have some leeway for the unexpected.

As you prepare the budget, if you see that you have more expenses than income, in the long run, the solution is to increase income or decrease expenses, or both. Look

carefully at the expenses and identify those you are able and willing to reduce or eliminate if necessary. Which expenses, if any, can be postponed or delayed? When income is irregular, it helps to have flexibility in expenses.

Families juggle income and expenses in a variety of ways. Some use credit cards to postpone payment. Some borrow from their tax reserve account. These tactics help in the short run. However, if not carefully and intentionally done, they can result in a pattern of unaffordable spending. In the long run, this will create even more financial pressures and stress.

“Borrowing on credit cards or tax reserve accounts helps in the short run. However, if not carefully done, they can get you in real trouble. Cut up your credit cards!”
Fisherman's wife

Family Income for the month of <u>May</u>			Comments
Source	Amount		
	Estimated	Actual	
<i>Nonfishing income</i>	<i>833-</i>	<i>833-</i>	<i>Contract work</i>
<i>Family share of fishing income</i>	<i>2500-</i>	<i>2500-</i>	
		<i>\$3,333-</i>	

Sample of form 4, Part 1. Family Budget for the Month of _____
(Family Income for the Month of _____)

Family Expenses for the Month of <u>May</u>			
Expense	Estimated	Actual	Comments
Housing	2000	2000	Paid April + May
Food	1000		
Household Expenditures	468		
Transportation	729		
Clothing			
Medical	779		
Personal Expenses			
Education	195		
Family Care			
Life Insurance	100 ⁰⁰		
Donations			
Miscellaneous	138 ⁵⁰		Aquarium membership, books, mag
Savings	100 ⁰⁰		
Past debts	317 ⁰⁰		
Fed tax payment	1200 ⁰⁰		
State tax payment	420 ⁰⁰		

Sample of form 4, Part 2. Family Budget for the Month of _____ (Family Expenses for the Month of _____)

Step 4: Keep Track of Actual Income and Expenses

The budget is an *estimate* of income and expenses. In addition, you'll need to see how close your budget is to reality. During the month, record your actual income on form 2 (page 31), and your actual expenses on the Monthly Family Expense Tracking Form, form 5 (page 35). It may take more than one copy of form 5 to record all of your monthly expenses. Recording all expenses will seem tedious at first, but it will give you a much better picture of where your money goes.

It may be easiest to have one family member responsible for recording income and expenses. However, everyone needs to cooperate by telling the record keeper what he or she spent.

When an expense (such as insurance) is paid for by check, the check provides a record of the actual expense. You have a record of expenses put on your credit card if you keep the credit card receipt that tells what the expense was for.

Cash expenses are the most difficult to track. Get in the habit of keeping cash register receipts and writing notes on them indicating what the expenses were for. Keep proof of payment—the canceled check, the bill marked paid, the credit card receipt—on any expense that may be deductible on your personal income tax return or listed as a business expense.

At the end of the month, total the expenses in each budget category on form 5 (see the sample on page 12). Go back and record these totals under actual expenses on form 4. How do they compare with your estimates?

At the end of the month, put the monthly totals on form 6, Yearly Family Expense Tracking Form (page 36). At the end of the year, this will be a picture of your spending patterns. How do you feel about your spending? Is it moving you toward your goals? (See the sample on page 12.)

Step 5: Revise as Necessary

Compare this month's actual expenses to the budget. If you are overspending in one category, adjust the plan. If you find out during the month that income is going to be lower than estimated, adjust expenses.

Don't be discouraged if your budget is not perfect. Over time you will become better at predicting both income and expenses. Over time the process will become easier and less time-consuming.

Monthly Family Expense Tracking Form

Month of April

Date	Description (who)	Food 1	Housing 2	Household Expenses/Supplies 3	Transportation 4	Clothing 5	Medical 6	Personal Expenses 7	Education 8	Life Insurance 9	Donations 10	Family Care 11	Misc 12	Savings 13	Credits Past Due 14	15	16	17
4/1	v5371 Dr. Jones						200-											
4/1	v5372 Drug Rite (R)						39 16											
4/2	v5374 Safeway Food + Pets	44-						12 95										
4/4	v5376 Safeway Food	29 52																
4/12	v5386 Shell (van)				27-													
4/15	v5390 Safeway Petlets	6 08	7 10															
4/20	(Autodeduct) PPL Life									100-								
4/24	(Autodeduct) Prud. Health						518-											
4/26	Discover v#5392														52-			
4/30	Montesori v#5399								150-									
4/30	TCL Cable v#5404			29-														
4/30	Vidcalend v#5405							6 99										

Sample of form 5. Monthly Family Expense Tracking Form

Yearly Family Expense Tracking Form

Summary for the Year: _____

Month	Food 1	Housing 2	Household Expenses/Supplies 3	Transportation 4	Clothing 5	Medical 6	Personal Expenses 7	Education 8	Life Insurance 9	Donations 10	Family Care 11	Misc 12	Savings 13	Credits Past Due 14	15	16	17
January	1500	830	50	30	25	650	25	150	100	0	15	75	100	0			
February	1000	830	58	38	5	600	15	150	100	0	0	0	0	45			
March	1700	830	47	45	15	550	95	150	100	0	0	0	0	15			
April	1500	830	30	30	10	550	70	150	100	0	0	0	0	50			
May	1500	830	29	40	25	590	15	150	100	15	0	15	0	0			
June	1000	830	60	150	5	790	100	150	100	0	15	0	100	75			
July	2000	830	50	80	10	550	75	150	100	0	0	0	100	50			
August	1200	830	49	50	100	590	90	150	100	25	0	0	0	50			
September	1500	830	39	75	5	610	85	150	100	0	0	60	0	50			
October	1300	830	70	50	10	590	15	150	100	0	15	0	0	50			
November	2000	830	50	100	10	550	95	160	100	15	0	0	0	50			
December	1800	830	50	50	150	600	70	160	100	0	0	0	0	0			
TOTAL FOR YEAR	18000	9960	582	738	370	7220	650	1820	1200	55	45	150	300	435			
Amount Budgeted This Year	16000	9960	500	700	250	5000	500	1800	1200	50	100	100	500	1000			
Amount Budgeted for Next Year	18000	9960	500	800	300	7000	600	1920	1200	0	50	100	500	500			

Sample of form 6. Yearly Family Expense Tracking Form

An Example from Another Family: Budgeting and Record Keeping—How They are Helping This Family Get Themselves out of a Jam

The Situation: Coming to Terms

The Oregon Department of Revenue, the Internal Revenue Service, Discover, Visa, Sears, Household Finance, U.S. Bank—this is only a partial list of the agencies and companies to which Greg and Kathy owed money. It was overwhelming.

Greg said, “When I was making big money fishing in Alaska, we should have been saving rather than spending. But we can’t change the past.”

When Kathy heard her youngest child say, “Why aren’t we answering the phone?” and the oldest child responded, “Bill collectors!” (in a singsong voice), she realized the situation was affecting the whole family and was not going to get better on its own. She decided to take action.

What They Did: Working Together, Step by Step

Kathy read some material on dealing with creditors (see pages 26-28). She talked with Greg and got a better idea of when they would have some money, and how much they would have, for some type of payment. Working together, Kathy and Greg completed form 1 (page 30). Using the information from the forms on family expenses, they made decisions on which expenses must be paid, which could be reduced, and which could be eliminated. When they were finished, Kathy decided to talk with individual creditors. She had an idea of what payments she could promise which creditors and by when.

Next Kathy made appointments with the Oregon Department of Revenue and the Internal Revenue Service. Since both are in Salem, she was hoping to get appointments on the same day. Although that was impossible and she had to make two trips to Salem, she considered the interviews a success. When talking with the revenue agents in person, she found them to be reasonable people who were really interested in helping her work out a payment schedule.

Kathy continued to talk with other creditors over the phone. Again, she found that when she talked with them and had a very good idea of what she would be able to pay, the creditors were interested in working with her. Two credit card companies even reduced their interest rate on the past due amounts. She kept notes on all her calls—when the calls took place, whom she talked with, and what, if anything, was decided.

The Result: Making Progress and Feeling Better about It

“When you are acting in good faith and have an idea of what payments you can make, they will work with you,” says Kathy. Greg says, “It seems like we will be paying these debts off forever, but we’re making some progress now. We are doing the best we can, and that’s better than ignoring the situation.”

“I always keep notes on when I talk with someone, who I talk with, and what is decided.”

Fisherman’s wife

PART 3: Tracking Business Income and Expenses

The information in this section does not include important and necessary business records such as balance sheets, income statements, and profit and loss statements. The information deals only with keeping track of business income and expenses.

Knowledge of fishing income and expenses is necessary to make business decisions and to file tax returns. Most of the families we talked with did their own book-keeping and were most interested in better records for tax purposes. They wanted to be sure they were claiming all of the allowable business deductions, and they wanted to have records substantiating all claimed business expenses. In addition, they wanted to minimize the amount of time spent by the person or firm preparing their tax returns.

Accountants have told us about clients who brought to them the entire season's receipts in a grocery bag or box. While that's better than nothing, the families we talked with wanted to do better than that. They wanted a system to help them get and stay organized, thereby helping to save time and money with the tax preparer. Many of the families said that what worked best for them was some sort of master log for their business. In some cases this was a big notebook with files or envelopes for keeping papers and receipts together. In other cases it was a file box or an organized cardboard box.

We have prepared some forms and tools to help. Pick and choose what you want from this material. Perhaps the only thing you will use at first is the receipt envelope to help keep better business and out-of-port expense records. If you already have a system that is working fairly well, look at the materials and see if anything suggested in them might improve your system. Talk with your tax

preparer. He or she will have ideas about the strengths and weaknesses of your present records.

Step 1: Tracking Business Income

Your gross income from fishing includes any income you receive from the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacean, sponge, seaweed, or other aquatic form of animal and vegetable life.

Keep track of all records of income—who paid you, what you were paid for, the amount paid, and withholdings, if any. If you are a crew member, deliver your settlement sheets to the family bookkeeper. Keep proof of income received—settlement sheets, check stubs, and so on.

Record of Fishing and Nonfishing Income and Withholdings (if any)

Date	Gross Income		Federal Tax	State Tax	Crew Draw	Cash	Social Security	Net Take-Home Income
	Source	Amount						
9/23	Fisheries Inc.	1438.07				1438.07		
9/26	Fisheries Inc.	561.16				561.16		
10/15	NetWorld					200.00		

Sample of form 2. Record of Fishing and Nonfishing Income and Withholdings (if any)

If you have income from sources other than fishing—for example, if you are hired to repair boats and equipment—keep those records also. If during the year you or your spouse receives unemployment compensation, keep a record of it. Record all income on form 2.

There are at least two reasons for keeping records of all income. First, you will be able to check the accuracy of all 1099s and W-4s received. Second, if income for the year is different than you estimated on form 1 (either higher or lower), you will adjust the amounts going in to reserve for payment of taxes and Social Security and will adjust both family and business expenses.

Step 2: Tracking Business Expenses

The ordinary and necessary expenses of carrying on the fishing business may be deducted from fishing income. Without good expense records, you may forget some deductible expenses when you prepare your tax return. If you do not claim all deductible expenses, you must overstate your income and pay more income tax.

You should retain the invoice, paid receipt, or canceled check supporting each expense. The families we talked with said they did quite a good job tracking business expenses that were paid by check. *Pay as many expenses as possible by check.* When paying by check, save the bill or the sales receipt. Writing notes in the checkbook ledger may help you recall details of expenses.

When items are charged to a credit card, save the sales receipt—the customer copy of the credit card receipt—writing on it any notes which will be helpful as reminders about that expense. *Whenever*

possible, try to keep business expenses separate from family expenses.

Sometimes both family and business expenses will be included in one bill. When this is the case, look back at whatever records you have and mark the business part of the expense. For example, if the phone bill has both personal and business calls, when the bill is paid mark the business calls. Record the business expense on form 9 (Monthly Business Expense Tracking Form) and the family expense on form 5 (Monthly Family Expense Tracking Form). Keep the phone bill, with the business calls identified, with your business expense records. *Separating the business and family expenses each month, rather than waiting until tax time to sort it out, will result in more accurate business expense records.*

Expenses paid for in cash were one of the areas the family bookkeepers complained about. All business expenses paid for with cash should be supported by cash receipts, invoices marked

Monthly Business Expense Tracking Form

Month of May

Date	Description (who)	Business Travel 1	Business Meals and Lodging 2	Business Entertainment 3	Business Communication 4	Business Vehicle 5	gear and supplies 6	Professional Expenses 7	Licenses/Permits 8	Taxes 9	Insurance 10	Business Property Expense 11	Galley and Boat Supplies 12	Boat 13	Boat Licenses/Permits 14	Large Durable Items 15	Other 16	17
5/1	Anchor Inn (cash)		\$ 5 95															
5/14	U.S. Post Office (cash)				4 95													
5/10	Shell (cash)					15 -												
5/12	Bob's marine (charge)						27 95											
5/15	Bob's marine (charge)						49 95											
5/15	Anchor Inn (cash)		4 95															
5/17	Madison + Madison							170 00										
5/20	Pacific Fishing (subsc.)							100 00										
5/25	Trip to Portland	125 -																
5/22	Coast Commun. (paper)				81 50													
5/29																		
Monthly Totals																		

Sample of form 9. Monthly Business Expense Tracking Form

“paid,” or other documents that clearly show the expenses incurred were for business purposes.

The expenses away from the home port drove the family bookkeepers crazy. To help keep track of business travel and expenses, we are including a Business Travel and Expenses Record form (form 11, page 42) that you can paste on an envelope in which you can keep receipts and records. *Make sure you make notes that will help you recall where you were when expenses were incurred!* Keep this where it is easily accessible—in the vehicle or on the boat. Periodically, once a week or once a month, give it to the family bookkeeper.

○

Keep envelope on your boat and/or in your car! Date: From _____ To _____

Business Travel and Expenses Record

Expenses	Date	Amount	Comments
1. Travel Expenses			Such as airlines, bus, train, excess baggage, cabs, tips
United ticket Eugene to SF + return	11/98	200	Attend PFMC mtg
2. Meals and Lodging <small>Keep all hotel/motel receipts</small>			
Motel + meals at PFMC	11/98	175	
3. Entertainment			Business purpose? Business relationship?
4. Communication Expenses			Such as postage, telephone, fax, and cellular
5. Vehicle Expenses: (List all vehicle expenses [gas, oil, lube, washing, repairs, parts, tires, supplies, parking fees, etc.]; the division between business and personal expenses may be made at the end of the year.)			
Business mileage			
Travel to airport	11/98	45	To + from PFMC mtg (150 miles @ .30/mi)
6. Gear & Supplies			Such as knives, nets, rain gear
New line in Newport	11/98	25	Charged on account
7. Vessel Repairs & Expenses: List all vessel expenses (fuel, maintenance, ice, galley, repairs, etc.)			
8. Other (Identify)			

PLACE ALL RECEIPTS IN ENVELOPE.

Sample of form 11. Business Travel and Expenses Record

Step 3: Estimate Business Expenses

Expense Categories

Form 7, Suggested Business Expenses Categories (page 37), lists some suggested categories for business expenses (see the sample below). If there is an expense on the list that you do not have, cross it off. As you do this, review past tax returns and talk with your tax preparer. Using these suggestions, develop a list of business expense categories that is appropriate for your business. When you add, delete, or change categories, do it on all of the business forms. *Keep the categories consistent on all forms.*

Amount of Business Expenses

After you have developed a list of business expenses that is appropriate for you, record what you normally spend on business expenses. Use any records you have—old bills, canceled checks, credit card statements, receipts, tax records, and so

Suggested Business Expense Categories¹

Crew Members and/or Boat Owners	Possible/Additional Categories for Boat Owners
Monthly Amount	Monthly Amount
Business Travel	Taxes
Airlines _____	Real estate (i.e., gear shed) _____ 200
Excess baggage _____	Employment taxes _____
Bus/Train _____	Insurance
Cabs/Limousine _____	Property (i.e., hull insurance) _____ 1600
Tips _____	Liability _____
Business Meals and Lodging	Business Property Expense
Galley Expenses _____	Interest paid on loans _____
Meals _____ 10	Repair, replacement, improvements _____
Hotel/Motel _____	Galley and Boat Supplies
Business Entertainment	Food _____ 120
_____	Bait _____
Business Communication	Ice _____
Postage _____ 54	Boat
Telephone _____ 100	Fuel _____ 3300
FAX _____	Maintenance _____ 1245
Typing/copying _____	Boat Licenses/Permits
Business Vehicle	_____
Gas, oil, lube, wash _____ 30	_____
Repairs, parts _____	Large, Depreciable Items
Tires, supplies _____	_____
Parking fees, tolls _____	_____
Gear and Supplies	Other
Equipment (non-depreciable items) _____ 750	_____
Bait/Ice _____	_____
Other _____	_____
Professional Expenses	
Dues _____ 50	
Education _____ <i>Legal</i>	
Publications _____	
Promotion _____	
Licenses/Permits	
_____ <i>license/fees</i> _____ 334	
_____ <i>marriage</i> _____ 125	
Other	
_____ <i>crew share</i> _____ 4000	

¹If there are items listed that are not expenses for you, cross them off. If you have expenses that are not on here, add them. Adapt the list and the headings to fit your situation. Talk with your tax preparer for additional ideas.

Sample of form 7. Suggested Business Expense Categories

on. Do the best you can. If monthly costs are not appropriate, then use the cost per season or the cost per year. As you track your expenses, you will have better records of past expenses and information that will help you better anticipate future business expenses.

Timing of Business Expenses

The easiest expenses to predict are those that are both regular and fixed—they occur at the same time and in the same amount. Many, perhaps most, of your business expenses will be neither regular nor fixed. But you may begin to see patterns in your irregular, variable expenses. Write notes to help remind you when irregular, variable expenses usually occur. Use expense records to predict future expenses. Predicting and planning for future business expenses will help minimize unexpected expenses and minimize financial stress.

Step 4: Prepare a Business Budget

Make a plan for business expenses. Use the estimates of income (form 1) and expenses (form 7) and the Business Budget for the Month of _____ (form 8, pages 38-39). See the sample of form 8 on page 19. Which expenses are most important? Which ones can be postponed, delayed, minimized? What are reasonable amounts to spend on gear and supplies? What are reasonable expenses for meals and lodging when out of port? You cannot control everything, but look for the areas over which you do have control. Reducing surprises will reduce financial stress.

Step 5: Keep Track of Actual Business Income and Expenses

During the month, record your actual income on form 2 (page 31) and actual business expenses on form 9, Monthly Business Expense Tracking Form (page 40). It may be easiest to have one person responsible for recording income and expenses, but everyone needs to cooperate by giving the record keeper receipts.

At the end of the month, total the expenses in each budget category on form 9 (page 40). Go back and record these totals under actual expenses on form 8 (pages 38-39). How did they compare with your estimates? What, if any, adjustments are needed?

Use the Yearly Business Expense Tracking Form (form 10, page 41) to see your spending patterns over the year.

Step 6: Revise as Necessary

Don't be discouraged if your system isn't perfect. It doesn't have to be! The hope is that keeping records will help you better anticipate your finances. Record keeping may seem time consuming at first, but over time the process will become easier and take less time. See the sample on page 20.

Fishing Business Income for the Month of <u>May</u>			
Source	Amount		Comments
	Estimated	Actual	
Fishing Vessel Alice	4200	4200	Transfer \$2500 to family budget
Fishing Vessel Alice	2100		

Sample of form 8, Part 1. Fishing Business Income for the Month

Fishing Business Expenses for the Month of <u>May</u>			
Expense	Estimated	Actual	Comments
Business Travel			
Business Meals & Lodging gear lunches	65 ⁻		
work coffee	50 ⁻		
Business Entertainment	30 ⁻		
Business Communication	80 ⁻		Pager + cell phone
Business Vehicle (Ford)	60 ⁻	65 ⁻	Ford only
	50 ⁻		
Gear & Supplies Knives	10 ⁻		
Professional Expenses			
Taxes			
Insurance			
Business Property Exps.			
Galley and Boat Supplies			
Boat			
Licenses/Permits			

Sample of form 8, Part 2. Fishing Business Expenses for the Month of _____

Yearly Business Expense Tracking Form

Summary for the Year _____

Month	Business Travel 1	Business Meals and Lodging 2	Business Entertain- ment 3	Business Communi- cation 4	Business Vehicle 5	Gear and Supplies 6	Professional Expenses 7	Licenses/ Permits 8	Taxes 9	Insurance 10	Business Property Expense 11	Galley and Boat Supplies 12	Boat 13	Boat Licenses/ Permits 14	Large Depreciable Items 15	Other 16	17
January		65 -	20 -	80 -	65 -	20 -											
February		69 -		80 -	65 -	10 -											
March		32 -		80 -	65 -	20 -											
April		30 -	90 -	100 -	100 -	0 -											
May		70 -		80 -	65 -	0 -											
June		30 -		80 -	65 -	50 -											
July		30 -	20 -	80 -	70 -	50 -											
August		30 -		80 -	65 -	10 -											
September		45 -		80 -	65 -	10 -											
October		50 -		100 -	65 -	10 -											
November		20 -		80 -	250 -	0 -											
December		20 -		80 -	65 -	10 -											
TOTAL FOR YEAR	\$ 0 -	\$ 491 -	\$ 80 -	\$ 1000 -	\$ 1005 -	\$ 190 -	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Amount Budgeted for This Year	200 -	500 -	100 -	500 -	800 -	400 -											
Amount Budgeted for Next Year	100 -	500 -	100 -	750 -	1000 -	300 -											

Sample of form 10. Yearly Business Expense Tracking Form

PART 4: Resources

Included in This Publication

- *Considerations When Selecting an Organizational Structure for Your Business* (FS 323) (page 22)
- *Tax Information for Crewmen on Commercial Fishing Boats* (ORES-U-E- 95-001) (page 24).
- *Talking with Creditors* (page 26)

For More Information

IRS Publications

595—*Tax Highlights for Commercial Fishermen*

463—*Travel, Entertainment, and Gift Expenses*

917—*Business Use of Your Car*

583—*Starting a Business and Keeping Records*

To get IRS publications by computer, go to the following Web site—www.irs.ustreas.gov—or phone 1-800-829-3676.

Oregon Sea Grant Publications

Family and Business Records: Checklist for Fishing Families, ORESU-E-95-001.

This publication is available through Oregon Sea Grant Communications, 541-737-2716. Please specify the publication number.

Extension Publications

Fishing Family and Business Resource Kit: Education Resources for an Industry in Transition.

This includes the following publications:

- Setting Spending Priorities
- Deciding Which Bills to Pay First
- Making the Most of What You Have
- Money Management
- Talking with Creditors
- Keeping a Roof Overhead
- Financial Planning: Family Goals

The above kit can be ordered from the OSU Extension Service, 541-737-1581.

Paying Family Bills, EM 1422.

This publication and other helpful publications are available through Extension and Station Communications, 422 Kerr Admin. Bldg., Corvallis, OR 97331. Please specify the publication number.

You are the most valuable resource for us and other fishing families. As you read through this Expense Tracking System and come up with suggestions for improvement, please contact Flaxen Conway, OSU Extension community outreach specialist, 541-737-1418.

Considerations When Selecting an Organizational Structure for Your Business

A.M. Morrow

A business is something you do with the objective of making a profit. You may be raising something to sell—apples, livestock, or Christmas trees; you may be performing services for someone—altering clothes, trucking cattle, or repairing lawnmowers; or you may be manufacturing or making something—fence posts or wedding gowns. If you have a business, you have some form of business organization—a sole proprietorship, a partnership, a corporation, or a limited liability company.

When starting a business, or when changing from one organizational structure to another, business owners should know the relative advantages and disadvantages of each business structure and how the structure they select will help them meet business, personal, and family goals. The best structure for one business may not be the best for another. The best structure for a new business may not be suitable as the business expands.

A business may be owned by one person or more than one person. Before going into business with someone else, take a good hard look at both the business and the potential business owners. Can the people work together? Is the business financially strong enough to support two or more families? And if the people are in business together, what form of business organization is most appropriate?

Some issues to consider in choosing a form of business organization are:

- The source of funds needed for the business
- Liability for personal injury, product liability, contracts, and taxes
- Taxation issues including the tax treatment of profits/losses and the

deductibility of employee benefits such as health insurance, group term life insurance, and retirement plans

- The desire for the business to continue after the death of the current owner
 - The time, effort, and cost of setting up and maintaining the business organization
- There are four basic forms of business organization: the sole proprietorship; the partnership, which may be a general or a limited partnership; the corporation, which for tax purposes may be a “C” or an “S” corporation; and the limited liability company.

Sole proprietorship

A common form of business ownership is the sole proprietorship. It is the least complicated form of business ownership and is the easiest to set up and to terminate. The business is owned and controlled by one person; the owner is the business. The funds for the business come from the owner’s personal investments, loans, and sometimes from friends or family members.

All of the owner’s personal assets can be made available to satisfy debts and taxes owed by the business or any legal damages resulting from lawsuits filed against the business. This means the owner’s personal assets—car, home, bank accounts—are subject to claims by creditors for satisfaction of business loans, contracts, and legal judgments. Often, the business is a sole proprietorship, but assets used in the business—land, vehicles, equipment—are owned jointly by husband and wife. Therefore, even though the business is owned by one, the assets of both may be subject to business liabilities. Liability insurance

for business activities is important for all business owners, including the sole proprietor.

The sole proprietorship files a tax form, either IRS Schedule C or C-EZ, reporting income or losses, but the income or losses appear on the owner’s federal income tax return and are taxed as personal income. The owner pays Social Security tax on his or her income from self employment.

While no paper work is necessary to establish a sole proprietorship, professional help is recommended to assist in setting up the bookkeeping system, employee payroll systems, etc.

Partnership

A partnership is the voluntary association of two or more people for the purpose of making a profit. Each person contributes money, property, labor, or skills, and each expects to share in the profits and losses.

A partnership is the same as a sole proprietorship with respect to taxes and liability. Each general partner has unlimited personal liability for all debts and obligations of the partnership and acts of the partners. A partnership is not a taxable entity. However, it must figure its total income and file IRS Form 1065, which provides information on partnership income or losses for the year. Each of the partners must report on his or her individual tax return his or her share of the partnership income—gains, losses, deductions, or credits—even if the partnership income is reinvested in the business rather than distributed to the partners.

Alice Mills Morrow, Extension family economics specialist, Oregon State University.



A partnership is formed with an oral or written agreement. A written agreement, prepared with advice from an attorney, is recommended. Following are some of the items that should be covered in the partnership agreement:

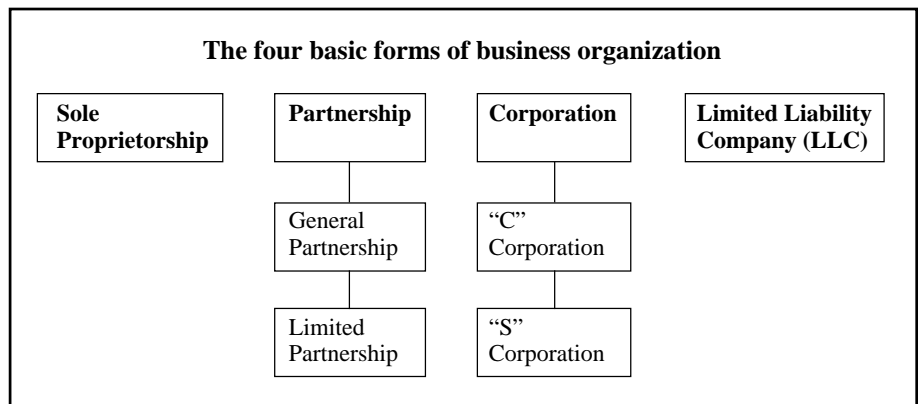
- Names and addresses of the partners and the name of the partnership
- Purpose of the partnership
- Duration of the agreement and method of review and termination of the agreement
- Who is contributing what resources (cash, personal property, real estate, labor, and services) and how they will be contributed (outright to partnership, on a use only basis, or rental)
- How profits will be calculated and shared
- How decisions are to be made
- Limitations on the activities of the partners
- How partnership assets are divided when the partnership is terminated

There are two kinds of partnerships—general and limited. In a general partnership, two or more people contribute assets to the partnership and these general partners share the management, profits, and losses. The general partners are personally liable for all partnership debts and liabilities and acts of any of the partners.

A limited partnership must have at least one general partner and one or more limited partners. The limited partnership is a way for the general partner(s) to get additional capital without giving up management control. General partners manage the business and have unlimited liability for the debts of the business and acts of the partners. Limited partners take no active role in the management of the business, and their liability is limited to the extent of their partnership investment.

Corporation

A corporation has a legal and tax identity separate from its owners. The owners are called *shareholders*. A corporation is chartered by the state, and articles of incorporation must be filed with the secretary of state. The articles of incorporation include such things as the name of the corporation, purpose of the corporation, names and addresses of



directors and incorporators, location of the main office, duration of the corporation, amount and kinds of capital stock issues at the outset, and description of the voting rights of shareholders. The articles of incorporation should be prepared with legal counsel.

Once formed, a corporation must have annual business meetings; keep minutes and records of its activities; specify policies concerning salaries and fees, dividends, etc.; and file tax and other required reports. It is extremely important to get legal and accounting advice.

The primary advantage of the corporation is its “limited liability.” The corporation is fully liable for all its business obligations; individual shareholders are liable only to the extent of their investment. In practice, however, owners of small, closely held corporations often are required to personally guarantee the debts of their corporation. The corporation does offer shareholders some protection from liability claims. However, it is not a substitute for a formal comprehensive business and personal liability insurance program.

For tax purposes, a corporation must choose whether it is a “C” corporation or an “S” corporation. A “C” corporation pays taxes on its income. When income is passed on to the shareholders in the form of dividends, it is taxable income to the shareholders. This double taxation is a disadvantage.

A special form of the corporation, called the tax-option or Subchapter S corporation, can be used for tax purposes (chiefly for corporations with 35 or fewer shareholders). The “S” corporation

is not a separate taxable entity; income is allocated to the shareholders and is taxed at their personal rates.

Limited liability company

A limited liability company (LLC) is a new form of business organization available in some states, including Oregon, Idaho, and Washington. When properly formed and maintained, the LLC has the limited liability features of the corporation and the tax features of the partnership.

The owners of the LLC are called *members*, and the LLC must have at least two members. The organizer(s) of the LLC file the articles of organization with the secretary of state. Because this is a new form of business organization, and because there are differences from state to state, extreme care is needed in drafting the documents for the LLC. Creating an LLC is not a do-it-yourself job; legal help is essential.

Any business, regardless of its structure, needs its own separate bank accounts and bookkeeping system. Any business owner, regardless of the business structure, needs a comprehensive business and personal liability insurance program. Work closely with your accountant, attorney, and management and insurance consultants on specific issues related to your particular situation.

Your choice of business organization depends in part on the characteristics of each type of business organization and on your situation, preferences, and objectives. Do not make a decision without careful study.

Extension Service, Oregon State University, Corvallis, Lyla Houglum, interim director. This publication was produced and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914. Extension work is a cooperative program of Oregon State University, the U.S. Department of Agriculture, and Oregon counties.

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The Fishing Families Project Tax Information for Crewmen on Commercial Fishing Boats

Crewmen on fishing boats are usually considered self employed by the Internal Revenue Service (IRS).

You are considered self-employed if:

- you are an officer or crew member of a boat that normally has a crew of fewer than 10 people.
- you receive no cash pay other than a share of the boat's catch.
- your share depends on the amount of the catch.

Therefore, there are **no** withholdings from your crew share for federal/state income taxes and Social Security. It is **your responsibility** to file federal and state tax returns and pay the taxes you owe. Depending on total yearly income and your deductions and exemptions, the amount you have to pay in taxes could be from $\frac{1}{4}$ to $\frac{1}{3}$ of your gross income.

- Crew share you receive = **GROSS INCOME**
- Amount you pay taxes on = **NET TAXABLE INCOME**
- To minimize financial stresses at tax time, each time you are paid **SET ASIDE SOME MONEY** to pay your taxes.

IRS Form 1099

The boat owner paying you is required to send IRS Form 1099 to you by January 31 and to the IRS by February 28. This form reports the amount of money you were paid. If your mailing address has changed during the year, be sure that all boat owners you worked for during the year have your correct mailing address.

Save all your settlement sheets for the year. When you receive a Form 1099, check to see that the Social Security number and dollar amounts are listed correctly. If there are errors, promptly notify the person who issued your Form 1099.

Good records can help minimize taxes

Many of the expenses you incur while fishing are deductible, reducing your taxable income and the taxes owed. **Keep records and receipts for use at tax filing time.** Keep your settlement statements and records of the money you spent on deductible expenses.

Money you spent on the job = DEDUCTIBLE EXPENSES

Examples of deductible expenses are:

- Gear and supplies, including rain gear, gloves, and boots
- Licenses
- Business telephone
- Airfare and travel expenses to and from port
- Out-of-port lodging and meals
- Boat expenses such as galley provisions, fuel, and unloading fees (if taken directly from your share)



ORES-U-E-95-001
Oregon Sea Grant
Oregon State University

Revised February 1997

This publication is funded by Oregon Sea Grant through NOAA, Office of Sea Grant and Extramural programs, U.S. Department of Commerce under grant no. NA36RG0451 (Project No. A/FDF-1). Oregon Sea Grant is based at, and receives additional support from, Oregon State University, a Land Grant, Sea Grant, and Space Grant institution funded in part by the Oregon legislature.

The Oregon State University Fishing Families Project is funded by, and is a partnership of, Oregon Sea Grant and Oregon State University Extension Service. It serves fishing communities along the coast from northern California to southwest Washington. For more information contact: (North Coast) Dyan Hartill, 503/325-7372; (Central Coast) Connie Kennedy, 541/574-0882; (South Coast) Linda Stagg-Brown, 541/469-8890.

Get tax advice

If you are unfamiliar with tax filing and deductible expenses, get advice from an accountant or tax preparer who is familiar with the fishing industry. Your coworkers or the boat owner may be able to help you locate competent tax advice.

- **Don't wait until it is time to file to seek tax advice. As soon as you know you will have income from fishing, talk with a tax advisor. Find out what records to keep, the date taxes are due, and whether you are required to make estimated tax payments.**

If in past years you have had taxable income and have not filed tax returns, find an accountant familiar with the tax issues of fishermen and begin dealing with the issue. Ignoring or denying tax issues will compound your problems.

- **For more information, see *Tax Guide for Commercial Fishermen*, IRS publication 595. To order, call the IRS at 1-800-829-3676 between 7:30 a.m. and 5:30 p.m. weekdays. Or if you have access to a computer and modem, you can visit the IRS's Internet Web Site to obtain forms at <http://www.irs.ustreas.gov>**

Prepared by Alice Mills Morrow, Extension family economics specialist, Oregon State University.



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U\$EFUL INFO...

Talking with Creditors

by Alice Mills Morrow

When your income drops and you realize you can't pay all your bills, it's important to know how to talk with your creditors.

Your past experiences with creditors are important. If you have consistently paid bills when they were due, your creditors will be more cooperative than if you were late or didn't make regular payments. Creditors are in the business of lending money and/or providing services. They want to keep your business, and they also want to get paid.

Contact your creditors; don't wait for them to contact you. Explain your current situation. Tell them your income has been reduced and you are not able to keep up with your complete payment. Discuss your future income prospects so you and your creditors can figure out solutions to the problem. Most creditors would prefer to receive smaller payments on a regular basis than to begin expensive collection procedures.

To Begin

First, determine how much money you have to pay off your debts. Figure out how much income you can count on in the next 6 to 12 months and how much you need to pay for your essential monthly living expenses. You'll need to know how much and who you owe, as well as how you plan to pay them. Figure out a plan to divide your income to pay your monthly living expenses and set priorities for paying bills.

Contacting Your Creditors

Contact each creditor, explain your situation, and work out a solution. Be prepared to explain the following:

- The reasons you are behind in your payments
- Your current income and prospects for future income
- Other obligations
- Your plans to bring this debt up to date and keep it current, including the amount you will be able to pay each month

Visit local creditors in person. Visit the loan officer at your bank or credit union, the credit manager of local stores, the budget counselor at the utility company. Don't forget creditors like your dentist, physician, clinic, and hospital.

Contact out-of-town creditors by phone if possible. Write down the name and title of the person to whom you talked. Follow up the conversation with a letter summarizing what you and the creditor agreed. Keep copies of your correspondence as well as any reply.

Before talking with creditors, know your present and future income, the amount of money you need to pay taxes and Social Security, and the amount of money you need for basic living expenses. Plan what you are going to say.

If you cannot contact creditors by phone, contact them by letter. For ideas about what to put in the letter, see the last page of this article.

Negotiating with Creditors

As you negotiate with each creditor, don't agree to any plan simply to get off the hook. Be sure you will be able to follow through on the agreement. Establish a payment rate that is acceptable to both you and the creditor.

Here is a list of some alternatives to consider when negotiating with your creditors:

- Reducing the monthly payment
- Refinancing the loan
- Deferring a payment for a short time if you expect income to increase soon
- Reducing or dropping late charges
- Paying only interest on the loan until you can resume making monthly payments
- Voluntarily surrendering or giving back an item purchased on credit
- Selling the item and using the cash to satisfy, or partially satisfy, the debt

Not all creditors will be willing to accept alternatives. However, they'll be more likely to

work with you if you contact them before they contact you. They all want their money and would rather get some money on a regular basis than have to begin collection procedures.

If you fail to follow the plan that you and your creditor agreed upon, you will hurt your chances of getting future credit. Tell your creditors about any changes that may affect your payment agreement.

If you owe a large amount of money, and if your creditors won't accept reduced payments, you may have to consider more extreme alternatives, such as bankruptcy.

If You Don't Pay Your Bills

If you miss a payment, you will be faced with increasing pressure to pay. First you will receive a letter reminding you that you missed a payment and asking you to pay promptly. After that, you may receive a more direct letter demanding payment, or you may get a phone call.

If the bills still are not paid, they probably will be turned over to an independent collection agency. Although the agency will try to get you to pay, the law protects you from certain actions. They can't use abusive language or threaten you with violence. They can't call you at unusual hours or threaten criminal prosecution. And they can't discuss your financial situation with others.

Here's what to do if you receive a call from a creditor or a collection agency.

- Identify the caller. Ask the name of the caller. Get the name of the creditor and the name, address, and telephone number of the collection agency. Get the exact amount of the account that is claimed to be due. Write down the date and time of each call.
- Remain calm. Don't get angry. Arguments don't settle anything. When you become angry, you may forget to obtain important information.
- Dispute debts in writing. If you believe you do not owe the amount claimed or disagree in other

ways, make your reasons known promptly in writing to both the creditor and the collection agency. Request a written statement of your account. Always keep copies of your correspondence for future reference.

- If you prefer that creditors or collectors not phone you, ask in writing that creditors write rather than phone you.

Creditors' Options

Creditors can take several kinds of legal actions against you. These actions are often written into the sales contract you signed. If you fail to make payments, you will receive letters from a creditor's attorney or a collection company warning you of the intended action. Here's a list of possible actions a creditor might take.

- Acceleration—The entire debt is payable at once if you miss a payment. The courts can force you to pay by seizing your property and selling it.
- Repossession—The creditor can seize the item you bought or the property you used as collateral. If the sale of the property brings less than the amount you owe, usually you still must pay the difference.
- Wage garnishment—Garnishment is a court order that requires your employer to withhold part of your wages and pay your creditor.
- Foreclosure—If you do not make your mortgage payments for at least 3 months, your lender takes possession of your home and sells it to pay off the loan. You are responsible for the legal fees and the difference between the selling price and the amount owed.

All of these actions are very serious and could jeopardize your ability to get credit in the future. You can reduce your chances of being harassed by creditors or collection agencies by working out solutions early.

A suggested model of a letter to a creditor

Date
Your address
Your city, state, zip

Company name
Street address
City, state, zip
Attention: Delinquent account representative
Subject: Your name
Your account number

The purpose of this letter is to inform you that I am having some budgeting and debt problems. I am having trouble making my minimum monthly payment as a result of [a recent job loss, seasonal unemployment, etc.]. I hope we will be able to agree upon an acceptable debt repayment plan.

I have taken a careful look at my financial situation. I have set up a realistic minimum budget for my living expenses and have developed a debt repayment program. I am hoping you will accept a reduced payment. Amounts will be increased as soon as possible until the debt is totally repaid.

I owe [number of creditors, amount of debt]. My income, primarily from fishing, is not regular monthly income. For the next year I anticipate that my income before taxes will be \$ _____. I will need approximately \$ _____ for taxes and Social Security and \$_____ for basic living. I have \$ _____ for debt repayment.

I could pay the following amounts to you on the dates indicated: _____, _____

I hope you find this plan acceptable. I look forward to your letter of acknowledgment. Thank you.

Sincerely,

Your name

PART 5: Forms to Customize for Your Family/Business

Form 1: Graph of Estimated Income from All Sources, By Month (page 30)

Form 2: Record of Income and Withholding from Fishing and Nonfishing (page 31)

Form 3: Suggested Family Expense Categories (page 32)

Form 4: Family Budget for the Month of _____

Part 1: Family Income for the Month of _____ (page 33)

Part 2: Family Expenses for the Month of _____ (page 34)

Form 5: Monthly Family Expense Tracking Form (page 35)

Form 6: Yearly Family Expense Summary (page 36)

Form 7: Suggested Business Expenses Categories (page 37)

Form 8: Business Budget for the Month of _____

Part 1: Family Business Income for the Month of _____ (page 38)

Part 2: Family Business Expenses for the Month of _____ (page 39)

Form 9: Monthly Business Expense Tracking Form (page 40)

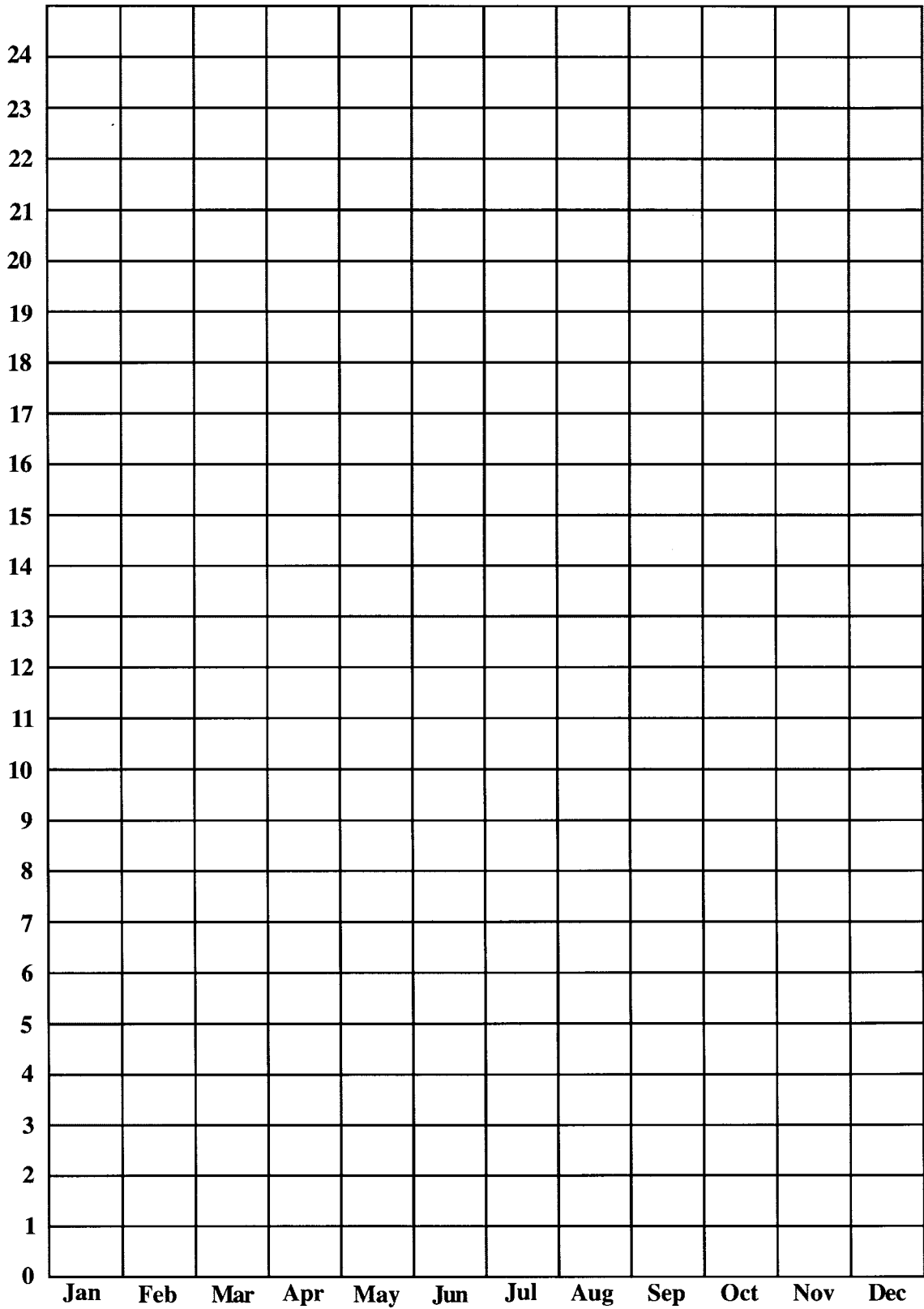
Form 10: Yearly Business Expense Tracking Form (page 41)

Form 11: Business Travel and Expenses Record (page 42)

Graph of Estimated Income from All Sources, by Month

Income
\$s (thousands)

for the year _____



Suggested Family Expense Categories¹

	Monthly Amount ²		Monthly Amount
Food		Personal expenses	
Groceries, other food supplies	_____	Allowances	_____
Meals eaten out/school lunches	_____	Beauty care, toiletries, haircuts, etc.	_____
Other	_____	Hobbies, pets	_____
		Entertainment	_____
		Cigarettes, tobacco, etc.	_____
		Alcohol, other beverages	_____
		Other	_____
Housing		Education	
Rent/mortgage payment	_____	School costs	_____
Property tax, insurance	_____	Tuition	_____
Fuel (heat)	_____	Books	_____
Gas, electric	_____	Supplies	_____
Water, sewer, garbage	_____	Magazines/subscriptions	_____
Maintenance, repair	_____	Lessons	_____
Other	_____	Equipment	_____
		Newspapers	_____
		Other	_____
Household Expenses/Supplies		Life insurance	
Cable TV	_____	_____	_____
Maintenance	_____	_____	_____
Regular repairs	_____		
Towels, linens, etc.	_____		
Cleaning supplies	_____		
Telephone	_____		
Other	_____		
		Donations	
		_____	_____
		_____	_____
Transportation		Family Care	
Car Payment	_____	Child care	_____
Gas, oil	_____	Alimony/child support	_____
Auto repairs, tires	_____	Other	_____
Automobile insurance, license fee, etc.	_____		
Public transportation, parking	_____		
Other	_____		
		Miscellaneous	
		Gifts	_____
		Other	_____
		_____	_____
		_____	_____
Clothing		Savings	
Normal needs for family members	_____	Savings account	_____
Seasonal clothes	_____	Retirement fund	_____
Laundry, dry cleaning, repair	_____	Other	_____
Other	_____		
Medical			
Doctor	_____		
Dentist	_____		
Prescriptions, drugs	_____		
Eye glasses/contact lenses	_____		
Insurance, health, hospital	_____		
Other	_____		

¹ If there are items listed that are not expenses for you, cross them off. If you have expenses that are not on here, add them. Adapt the list and the headings to fit your situation.

² For expenses that do not occur every month, note the month the expense occurs.

Family Budget for the Month of _____

Directions:

On part 1:

- *Estimate the income* that will be available for the family this month. List income from salary or wages, income received from fishing, and income transferred from savings.
- As income is received, record actual amounts here and on form 2.

On part 2:

- *Estimate what the family will spend.* (If you added, deleted, or changed categories on form 3, make the same changes on form 4.)
- During the month, keep track of actual expenses on form 5 and transfer totals from form 5 to form 4, part 2.
- Using the actual information, develop a budget for the next month.

It is helpful for husband and wife to work together on these forms. Usually, the fisherman estimates the fishing income and the wife is better able to estimate the family expenses. Working together, both partners get a better understanding of their total financial situation.

Family Income for the Month of _____			
Source	Amount		Comments
	Estimated	Actual	

Family Expenses for the Month of _____			
Expense	Estimated	Actual	Comments
Housing			
Food			
Household Expenditures			
Transportation			
Clothing			
Medical			
Personal Expenses			
Education			
Family Care			
Life Insurance			
Donations			
Miscellaneous			
Savings			

Yearly Family Expense Tracking Form

Summary for the Year _____

Month	Food 1	Housing 2	Household Expenses/ Supplies 3	Transpor- tation 4	Clothing 5	Medical 6	Personal Expenses 7	Education 8	Life Insurance 9	Donations 10	Family Care 11	Misc 12	Savings 13	14	15	16	17
January	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
February																	
March																	
April																	
May																	
June																	
July																	
August																	
September																	
October																	
November																	
December	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
TOTAL FOR YEAR																	
Amount Budgeted This Year																	
Amount Budgeted for Next Year																	

Suggested Business Expense Categories¹

Crew Members and/or Boat Owners

	Monthly Amount
Business Travel	
Airlines	_____
Excess baggage	_____
Bus/Train	_____
Cabs/Limousine	_____
Tips	_____
Business Meals and Lodging	
Galley Expenses	_____
Meals	_____
Hotel/Motel	_____
Business Entertainment	
_____	_____
Business Communication	
Postage	_____
Telephone	_____
FAX	_____
Typing/copying	_____
Business Vehicle	
Gas, oil, lube, wash	_____
Repairs, parts	_____
Tires, supplies	_____
Parking fees, tolls	_____
Gear and Supplies	
Equipment (non-depreciable items)	_____
Bait/Ice	_____
Other	_____
Professional Expenses	
Dues	_____
Education	_____
Publications	_____
Promotion	_____
Licenses/Permits	
_____	_____
_____	_____
_____	_____
Other	
_____	_____
_____	_____

Possible/Additional Categories for Boat Owners

	Monthly Amount
Taxes	
Real estate (i.e., gear shed)	_____
Employment taxes	_____
Insurance	
Property (i.e., hull insurance)	_____
Liability	_____
Business Property Expense	
Interest paid on loans	_____
Repair, replacement, improvements	_____
Galley and Boat Supplies	
Food	_____
Bait	_____
Ice	_____
Boat	
Fuel	_____
Maintenance	_____
Boat Licenses/Permits	
_____	_____
_____	_____
_____	_____
Large, Depreciable Items	
_____	_____
_____	_____
_____	_____
Other	
_____	_____
_____	_____

¹If there are items listed that are not expenses for you, cross them off. If you have expenses that are not on here, add them. Adapt the list and the headings to fit your situation. Talk with your tax preparer for additional ideas.

Business Budget for the Month of

Directions

On part 1:

- *Estimate the income* that will be available for the business this month. List income from salary or wages, income received from fishing, and income transferred from savings.
- As income is received, record actual amounts here and on form 2.

On part 2:

- *Estimate what the business will spend.* (If you added, deleted, or changed categories on form 7, make the same changes on form 8.)
- During the month, keep track of actual expenses on form 9 and transfer totals from form 9 to form 4, part 2.
- Using the actual information, develop a budget for the next month.

Fishing Business Income for the Month of _____			
Source	Amount		Comments
	Estimated	Actual	

Form 8, Part 2

Fishing Business Expenses for the Month of _____			
Expense	Estimated	Actual	Comments
Business Travel			
Business Meals & Lodging			
Business Entertainment			
Business Communication			
Business Vehicle			
Gear & Supplies			
Professional Expenses			
Taxes			
Insurance			
Business Property Exps.			
Galley and Boat Supplies			
Boat			
Licenses/Permits			

Yearly Business Expense Tracking Form

Summary for the Year _____

Month	Business Travel 1	Business Meals and Lodging 2	Business Entertainment 3	Business Commu- cation 4	Business Vehicle 5	Gear and Supplies 6	Professional Expenses 7	Licenses/ Permits 8	Taxes 9	Insurance 18	Business Property Expense 11	Galley and Boat Supplies 12	Boat 13	Boat Licenses/ Permits 14	Large Depreciable Items 15	Other 16	17
January	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
February																	
March																	
April																	
May																	
June																	
July																	
August																	
September																	
October																	
November																	
December																	
TOTAL FOR YEAR	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Amount Budgeted for This Year																	
Amount Budgeted for Next Year																	

Keep envelope on your boat and/or in your car!

Date: *From* _____ *to* _____

Business Travel and Expenses Record

Expenses	Date	Amount	Comments
1. Travel Expenses			Such as airlines, bus, train, excess baggage, cabs, tips
2. Meals and Lodging			Keep all hotel/motel receipts
3. Entertainment			Business purpose? Business relationship?
4. Communication Expenses			Such as postage, phone, fax, and cellular
5. Vehicle Expenses: (List all vehicle expenses [gas, oil, lube, washing, repairs, parts, tires, supplies, parking fees, etc.]; the division between business and personal expenses may be made at the end of the year.)			
Business mileage			
6. Gear & Supplies			Such as knives, nets, rain gear
7. Vessel Repairs & Expenses: List all vessel expenses (fuel, maintenance, ice, galley, repairs, etc.)			
8. Other (Identify)			

PLACE ALL RECEIPTS IN ENVELOPE.

