

A Minimum Wage Increase Is the Best Time To Save

Coaching Tips

An increase in wages is a positive change in a person's financial life. The side effects of this can be a shock to those minimum wage earners who receive public benefits or certain tax credits, and will see those benefits decrease as their income increases. As coaches, we can assist our customers in weathering these pitfalls and challenges by beginning to plan for the increase in wages well before it happens.

ADJUSTMENTS TO BENEFITS

The three benefits that are most commonly affected are listed below, but other needs-based benefits may also be affected. The policies regarding when a recipient must report additional income may vary by state, so it is best to inquire with the appropriate agency as soon as possible in order to avoid any penalties or sanctions on their public assistance case. In New York, these benefits may be adjusted as follows:

- **Supplemental Nutrition Assistance Program (SNAP or Food Stamps):** SNAP will decrease as gross income increases. After the recipient exceeds the maximum allowable income for their household size, the benefits will stop altogether. Typically, an individual does not need to inform the government of the additional income until the 6th month SNAP check-in, so depending on when the check-in is scheduled for, your customer may have a few months to prepare for the reduction.
- **Section 8 and housing subsidies:** Many housing subsidies or vouchers dictate that a recipient pay a certain amount of their income towards their rent. For Section 8, that percentage is 30%. Typically, these programs require tenants to recertify their income once per year, but when there is an increase in income, tenants are required to report immediately. Failure to do so may result in being charged with the backdated rent increase and/or losing the subsidies. So, while it may be tempting to delay notifying the agency of increases in income, it can ultimately cost more than it will save.
- **Recertifying for child care subsidies:** Child care subsidies are another benefit provided to individuals who qualify based on household size, income and employment status. In New York, these subsidies are typically recertified every 6 months, and recipients are not required to inform the administering agency of additional income prior to the 6 month recertification. In addition to helping your customer plan for the new amount they will be responsible for paying, these extra few months may be used for finding new child care arrangements if the customer will no longer be able to afford their child care provider.

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MINIMUM WAGE EARLY PLANNING WORKSHEET

- **Budget 101:** Create a new benefits map with customer.

Current Benefit	Current Amount	Income-dependent (Y/N)	Additional Resource for Information	Next Steps	Associated Savings Commitment
SNAP	\$194/week	Yes	Office of Temporary and Disability Assistance: 1-800-342-3009	Next 6 month check-in in October; Gather new pay stubs	\$10/week in savings account

- **Revisit Goals:** Now that your customer has increased income, their savings contributions towards current goals could possibly be increased as well. Even more exciting, perhaps they can add an additional goal that they previously thought was out of reach to their action plan and begin saving for this one, too.

Goal	Amount	Target Timeline	Action Plan Adjustments
Security deposit for a larger apartment	\$1,000	Summer 2017	Save \$40 of new paychecks increase: \$20 for emergency savings and \$20 for apartment goal

- **Get Ahead of Debts:** Many customers might have delinquent bills or arrears on various accounts. Help them prioritize and plan out a payment plan before they allocate all of their additional income to debts without accounting for decreased benefits or the seriousness/risks of each debt.

Debt	Status (Currently paying or in default)	Next steps
Macy's Card	Defaulted for 3 years	Discuss settlements with customer and prep them to negotiate a reduced amount