

Coping With a Money Crunch: What To Do First When You Lose Your Job¹

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Losing your job, whether a temporary layoff or permanent unemployment, is a difficult situation for anyone to manage. During economic recessions, or depressions, more people experience sudden income losses than at any other period. Small communities often experience recessions when a major industry closes, when tourism declines, or when farm prices fall, even when the rest of the state or nation is enjoying economic prosperity.

No family can escape financial crises. Almost all families, at one time or another, experience severe problems which result in a loss or sharp decrease in income. To the dollar and cents loss must be added the cost of the emotional stress which accompanies such a crisis. Good management can help reduce these losses.

First Things First

Right away you must get your own feelings under control and share the problem with your family. The loss of a job and reduction in income is hard for an individual and a family to accept and understand, but you can't go on as usual and pretend it hasn't

happened. Unemployment is not something that you try to hide from your children or your spouse. Tell your family before you do anything else. It can be devastating for a child to hear at school that Dad or Mom was down at the unemployment office or that all employees of your firm were laid off. Most children are able to understand that managing now will need to be a team effort for all family members. Of course, you are going to feel depressed but don't take that out on your spouse or other family members. Don't get caught in the "blame syndrome." Families are not to blame for problems in the economy. You can still control your financial affairs so you can maintain your present resources and survive the financial crisis.

File for Unemployment Benefits

On the first day that you are unemployed contact the unemployment office and apply for unemployment compensation. Not everyone is qualified for unemployment compensation but many people are. If you are unsure, apply. The agency will notify you if you are not qualified.

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You may apply for unemployment compensation by visiting the unemployment office near you or by accessing the web site on the Internet. To locate the address and telephone number of the unemployment office nearest you look in the government offices portion of the telephone directory. Under the section titled "Florida state of:" there is a box listing frequently called numbers. Look for the title "Labor and Employment Security Department." The "Workforce and Employment" title is the unemployment office.

To file for unemployment you need your social security number, name and address of recent employer(s) and dates in which you were employed. The amount of money you receive (if you qualify) depends on your salary when working, length of time you worked for your employers and how much money the employer put into the unemployment compensation fund. These conditions also determine how long you can receive workmen's compensation. By calling the unemployment office you can get the address of the web page and file your own request from home, a local library, or other location that has Internet access. If you prefer you may visit the unemployment office and receive personal help in filing your claim.

Take a Financial Inventory

Look at what your family now owns. A few minutes spent calculating your family's net worth just might boost your spirits. Add up the total value of all your belongings and subtract from that total the amount you owe. Remember to figure the value of everything at today's market prices. In other words, how much would you sell it for? If you need help, ask for a Net Worth Form at your county Extension office.

Talk with your family about the financial problems. Discuss what things you really need and what you would like to have. Agree to put off buying anything which is not essential. Concentrate on obtaining just the absolute necessities.

Do you know exactly how much money you have coming in and going out each month? Many folks don't. If that is the case with you, get out pencil and paper and try the following plan.

Make a list of the income your family still has. Do other family members have jobs? Do you receive dividends, interest, rent, or other income from assets you own? Does anyone in your family receive Social Security benefits or other types of payments? Include your unemployment benefits here if you are eligible for them.

Coping With a Decrease in Income

If you lost your job unexpectedly, as is the case for most people, the sudden drop in income can catch you unprepared. The bills keep coming even though the paycheck stopped. To regain control of your finances, you can try several things.

- use your savings and credit
- develop new sources of income
- decrease living expenses (cut out and cut down)
- adjust debt payments

Each of these ways of solving financial problems will be discussed briefly to suggest possible actions that you can take to get out of the problem situation. Think through each one carefully to see which ideas you can use.

Using Your Savings and Other Assets

When you have to have cash, use emergency savings or take out a loan if you can get one. This will depend on your individual circumstances, but there are some disadvantages either way.

When you take money from your savings account it will no longer earn interest. If you take out a loan, you pay interest for the privilege of using someone else's money.

If you decide to withdraw money from a savings account, take money from a regular account first and leave any certificates of deposit untouched. You'll lose interest on the certificates if you cash them in before they mature.

If you already have an overdraft checking account, using it might be one way to ease your dilemma, but you will have to pay back the extra amount.

Borrowing on your life insurance may be another alternative. While interest rates are often lower than from other sources, the debt reduces the amount your beneficiary would receive in case of your death.

In any case, think very carefully about taking on any additional debt while you're unemployed. You can sell stocks, bonds, other financial assets, material goods such as boats, even hold a garage sale of varied household and personal possessions.

As you make your decision focus your attention on which choice will provide the most cash, at the lowest cost, with the least risk to your future situation.

Do not fall into the trap of taking a home equity loan to pay unsecured debt such as credit cards. Such actions could lead to the loss of your home. Do nothing that could cause you to lose your home.

Increasing Income

If you think there are benefits available (from unemployment insurance, Social Security, or other sources) be sure you have applied for them. They are not issued automatically. Don't forget about food stamps, food banks and the free school lunch and breakfast programs.

Another way to increase the income of a family is to increase the number of family members who work. A non-working wife could look for full- or part-time work. Children, if old enough, could get a paper route, do odd jobs, or find part-time work after school.

When a woman with small children considers going to work, it is extremely important to determine what the net additional income will be after the expenses of her work are deducted. If child care expenses will result from her working, this must be subtracted from her income. It is seldom realistic to think that an unemployed husband can devote substantial time searching for a new job while taking care of children. Many jobs require a different type

of clothing than is normally worn around the house. If new clothes are necessary, this expense must also be deducted from her expected earnings. She may have to pay for transportation to and from work and possibly for parking while at work. Sometimes, working women are less able or willing to continue the same cooking habits that they had when they were at home all day. If more expensive convenience foods are used or if the family eats more meals out at restaurants, this expense must be considered. The family should also consider whether outside help will be needed to assist with household chores.

When children (or employed adults) elect to do odd jobs, one should find out if the tools to perform the jobs are available. For example, a person who wants to mow lawns may find that a new mower must be bought or the old one repaired. These costs should be considered before the person makes agreements with people to mow their lawns.

A list of practical ways to increase your income by marketing your skills or setting up a home-based business is available from your county Extension office.

Don't be misled by "get rich quick" schemes and other tricks which are often promoted by dishonest people in areas of high unemployment.

Decreasing Expenses

Your immediate goal is to survive financially as well as emotionally. Even if unemployment benefits are available, the family's income will probably be reduced severely. In addition, money may need to be allocated to job-search expenses.

So, if you do keep a budget, now is the time to reexamine your priorities and spending patterns, overhaul them, and tighten your control. If you don't have one, now is the right time to start. One of the most difficult things about being unemployed is realizing you cannot spend the way you did before. Spending less is a must.

There are basically two ways to decrease living expenses: to cut down or to cut out. Some expenses can be cut out -- eliminated entirely. Examples of this might be to quit smoking cigarettes, eliminate trips to

the beauty parlor and shop for discounts and at thrift stores. Stop going to movies or buying lottery tickets. Other expenses are necessary and cannot be cut out entirely, but may be cut down. The grocery bill is a good example. Nobody can go without food, but you can certainly cut the grocery bills by shopping carefully, reducing purchases of some convenience items, sodas and expensive foods.

What to Do If You Can't Pay Your Bills

One firm recommendation for the unemployed person is "Do not ignore bills even if you can't pay them." Whether it's a loan for an automobile, store charge account, or a credit card account that you can't pay, go to your lender and try to work out new arrangements so you are not defaulting. To ignore bills or debt obligations is not responsible behavior and in the long run you are the one who really suffers. The business to whom you owe money will not be happy to hear you can't pay but often will be willing to listen to some sort of rearrangement of debt. In most instances, businesses are willing to negotiate or re-evaluate your debt situation but you must take the initiative.

Make an appointment to explain your problem. It helps if you go in with a plan. Here are some solutions you and your creditors might work out.

- Make smaller payments that you can afford until you find work. Then resume the regular payment schedule plus repaying the difference
- Refinance your loan. You can make another contract for smaller payments over a longer period of time. The new payments will be smaller, but the overall cost for the loan will be larger.

If all else fails, consider a consolidation loan. You can take out one loan to pay off all your bills at once. Then you will have just one debt to pay to just one creditor. Each payment will be smaller, but you will commit yourself for a longer period of time, usually at a considerably higher total cost.

Don't forget to work out a way to handle your monthly mortgage payments. If they are too high for

you to pay, go to your lender and explain. Ask the officer in the mortgage lending department to permit you to pay only the interest for a certain period of time. Or perhaps you can postpone one or two payments until you have pulled yourself out of your financial crisis.

The important thing is that you talk with creditors about your problems and come to an agreement about what you can do to keep from losing what you have. This is a stressful situation, but trying to ignore your bills will only make things worse.

If debts become unmanageable contact the Consumer Credit Counseling Service nearest you. This non-profit organization helps consumers negotiate with creditors so bills can be paid. Usually there is no charge or a very low one to the consumer or a very low one for this service. If there is a charge, very carefully compare the cost and benefits. The consumer is expected to stick with the program until debts are paid. If there is a charge very carefully compare cost and benefit.

What About Insurance?

It's tempting to let your insurance policies lapse when you're experiencing financial problems. Investigate all your alternatives carefully. You may be able to reduce premiums by eliminating some extra benefits and/or taking on a higher deductible, but try not to give up your major coverage.

Examine your insurance policies. Chances are you were insured under your former employer's group health, accident, and life insurance plans. If you were, you probably have a 30-day period from the day you left the company to reapply for an individual policy with the same insurance company without having a medical examination. The premiums for an individual policy will probably be higher than the premiums you paid for the group policy. But you need insurance now perhaps more than ever.

Compare the cost and the coverage if you convert your group policy to an individual one with the same company. The advantage of doing this is that there is no "gap" in your coverage. This is particularly important if you or members of your

family have a medical condition which might need more treatment in the future. A new policy with a new company often will not cover such pre-existing conditions or covers them only after a waiting period. If you are young and healthy, a new policy may provide good benefits at a lower rate than continuing your present coverage.

Be careful in selecting a new policy. Some widely advertised policies cover only accidents, others only illness. Many have exceptions to coverage. The written contract will tell you these things, but it's up to you to read it.

If you know in advance that you may be laid off, see if you can get needed medical and dental work done beforehand.

In many life insurance contracts there is an automatic premium loan clause. This clause says the company will use your dividends to pay your premiums or will deduct the premium payments from the cash value of your policy. Check your permanent life insurance policy or call your agent as soon as possible to see if you have this clause.

Under Florida law, you must maintain a minimum level of automobile insurance -- liability and personal injury protection (PIP). To reduce the premiums you pay, consider reducing or eliminating collision and comprehensive coverages, or accept a higher deductible (the part you must pay yourself in case of damage to your car)

If you have two cars, it may be worthwhile to sell one of them, which could bring in some cash, reduce your debt load, and reduce your insurance expenses.

Check on Other Community Services

If your family has little or no income and few assets, you may be eligible for public assistance if you do not qualify for unemployment benefits, or if there is a long delay between your application time and the time your unemployment checks begin or after your unemployment benefits run out. Also, surplus foods are often available to unemployed persons in Florida.

For More Information

Contact your county Extension office for more information about managing your money and reducing expenditures whenever you have difficulty making ends meet.

Remember, if You Lose Your Job

- Don't panic. You can still control your financial situation, if you plan carefully.
- Communicate. Analyze what is important and, as a family, decide on a plan of action.
- File a claim for unemployment insurance right away. You may be eligible for food stamps, donated foods, or other assistance.
- Don't default on payments. Go to your creditors, explain your situation, and work with them to make adjustments.
- Be prepared to change your standard of living at least temporarily, so you don't have to give up essentials. You can still have a good quality of life.