

## **Coping with Unemployment**



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**I'm getting laid off. How am I going to survive financially until I find another job?**

# Unemployment Compensation

## What is unemployment compensation?

Unemployment compensation (also called unemployment insurance) is a federal-state system of benefits that pays workers who are involuntarily unemployed a portion of their wages until they are able to find another job.

## How is unemployment compensation funded?

Unemployment compensation is financed by employer contributions through a payroll tax in most states. Employees may also be required to contribute.

## Who is eligible for unemployment compensation benefits?

### *You are an insured wage earner*

You will be eligible for unemployment benefits if you are an insured wage earner. Almost all wage earners are insured because they have worked in a job covered by state laws.

**Tip:** Your state employment agency will also administer benefits payable to veterans with recent Armed Forces experience, former civilian federal employees, and individuals who lose their jobs due to the nation's trade policies or natural disasters.

### *You have a certain amount of covered earnings*

Usually, you must have worked for a certain amount of time or had a certain amount of covered earnings for a year prior to the time you claim benefits. This varies--check your state's laws.

### *You are able to work*

You won't be able to receive unemployment compensation if you are disabled or unable to work. You must be available to work and willing to take a job if offered. Some states, however, pay benefits to workers who become sick after they file an unemployment claim.

### *You involuntarily lose your job*

Unemployment compensation was designed to protect workers who were laid off from their jobs until they could find new jobs or go back to work at the same job. However, unemployment benefits are also paid to workers who were fired as long as they weren't fired for misconduct connected with their job. You generally won't receive unemployment benefits if you:

- Quit your job voluntarily without good cause

- Refuse to look for another job or accept a suitable job offer
- No longer work because of a labor dispute in which you participate
- Are disqualified for other causes, as defined by your state's laws

**Caution:** If you are disqualified, your benefits may be postponed and/or reduced instead of being completely denied.

### ***You are at least partially unemployed***

If you lose your job, you may be entitled to benefits until you begin working again. Usually, there is a benefit waiting period after you file your claim and before you can begin receiving benefits. This period is short in most states--only about a week. If you are only partially unemployed, you may be entitled to receive partial benefits.

## **How much will you receive from unemployment compensation?**

No matter where you live in the United States, you will receive a weekly benefit from unemployment compensation based on how long you were employed and your prior wages. However, each state, as well as the District of Columbia, Puerto Rico, and the Virgin Islands, administers its own unemployment compensation program, and state laws govern the amount of your weekly benefit.

## **Length of benefit period**

In almost all states, you can receive benefits for 26 weeks. However, federal laws and some state laws provide for additional benefits to be paid to workers who exhaust their regular benefits during periods of high unemployment. These additional benefits may be paid up to 13 weeks (20 weeks in some states) and are funded partly by state governments and partly by the federal government.

## **Applying for unemployment compensation benefits**

### ***Where to apply***

You should contact your state's public employment office for specific information on where to apply. Look in the state government section of your phone book under Unemployment Insurance, Unemployment Compensation, Employment Insurance, or Employment Service. Your state office is in charge of handling your claim, determining your eligibility for benefits, and

paying you a weekly benefit. You can file for benefits at the public employment office in the state in which you reside, even if you were employed in a different state. See Questions & Answers below.

### ***How to apply***

Several states allow you to provide initial application information by telephone, while most others require a written application (in person or by mail) to begin processing your request for benefits. You will be asked to provide information about your former employer, your salary, and yourself. Your former employer will be sent a written statement that he or she must return to verify the information you have given. This may take some time.

### ***Receiving benefits***

After your claim is approved, you will begin receiving weekly benefits. Your state office will require that you report periodically (in person, by phone, or by mail, depending upon the state) to verify that you are actually looking for work. The employment office is also responsible for referring you to possible job openings.

## **Tax considerations**

Unemployment compensation benefits payable through state unemployment offices must be reported as income. For further information, check with your tax advisor.

**Tip:** The American Recovery and Reinvestment Act of 2009 temporarily changes the taxation of unemployment benefits. For 2009 only, the first \$2,400 of unemployment compensation received is exempt from federal income taxation.

## **Questions & Answers**

### ***Where should you file an unemployment claim if you were laid off in one state but then moved to another?***

File the claim in your new state of residence and register for a job there. The state office will forward your claim application to your previous state of residence or will give you information about the state unemployment office there so that you can file directly with that state. Any benefits owed to you based on wages that you earned in your previous state of residence will be sent to you from that state, even though you now live in another state.

## **Coping with Unemployment**

### **What is coping with unemployment?**

Coping with unemployment means breaking away from the past and facing your future. It means dealing with the emotional, financial, and professional challenges unemployment can bring. Although this process can be painful, facing unemployment with a plan will help make coping with it easier.

### **Dealing with your emotions**

### ***When you lose your job***

Losing your job is an emotional experience--whether you are laid off or fired, whether you quit or retire. Your feelings of self-worth are tied more closely to your job than you realize. Although you're certainly entitled to relax awhile after your job ends, it's easy to let a few days of sleeping late, watching television, and playing golf turn into a few months of inactivity. Be careful not to use your need to relax as an excuse to avoid facing your future. The more time that passes, the more likely you'll feel anxious and depressed about your future. Here are three tips on what you can do to keep yourself moving:

- Pretend that you're still working. You've probably heard the adage that finding a job is a full-time job. Well, it's usually true. So why not pretend that you're still working? You don't have to get dressed up for this job, but at least get out of bed at the same time, make yourself a cup of coffee, and get going. Stop for lunch and then work again until late afternoon. Keep moving, and you'll accomplish your goal of finding a new job with a lot less anxiety.
- Set daily and weekly goals.
- Get a calendar and write down what you want to accomplish each day for one week. Be specific and reasonable. Don't write "call future employers " Instead, write "call the human resource departments at five publishing companies." Then, write down what your weekly goal will be. You might write "compile a list of five potential employers and send resumes to them." Setting goals will help you feel in control of your fate and will ultimately help you get a job.
- Reward yourself. Looking for a job is tough, so after a long, hard day of job hunting, reward yourself. For instance, promise yourself in the morning that if you accomplish everything on your list by three o'clock, you can go to the matinee of the movie you've been wanting to see.

## **Planning a financial strategy**

### ***When you lose your job***

When you lose your job, you may be able to rely on savings or, in some cases, unemployment compensation to replace some of your lost income. However, if you don't have much money saved or are worried about how to survive financially, you should come up with a financial plan for unemployment. You should plan a financial strategy that will keep you afloat for six months, if necessary. Hopefully, you won't be unemployed that long but if you are, you'll be prepared. Make a list of ways you can save money and cut expenses and prepare a bare-bones budget that shows the least amount of money you can live on during your period of unemployment. Then, prepare a six-month financial plan that details to the extent possible how you plan to survive financially while you're unemployed.

## **Planning for life after your current job ends**

### ***Find out what unemployment compensation you may receive***

If you are being terminated for any reason, find out if you will receive severance pay and what unemployment benefits you may receive. You're likely to receive severance pay if you are laid off, but severance pay is usually based on the number of years you've been with the company.

If you are laid off or fired, you may be eligible for unemployment compensation from your state. Your employer can give you the details. You should also find out when you will receive your final paycheck and if you are eligible for compensation for vacation or sick days you accumulated but never took.

### ***Find out about continuing your medical benefits through COBRA***

If you work for a company with more than 20 employees, your employer must notify both you and your spouse (if any) via first class mail that you have the right to continue your group health insurance coverage after your employment has been terminated (unless it ended because of gross misconduct). Under COBRA, you can continue your benefits up to 18 months, and your spouse and dependent children may be covered up to 36 months. However, you'll probably have to pay the full premium cost plus a small administrative fee--your employer won't contribute anything. If you work for a company that has fewer than 20 employees, you'll have to check your state's laws to see if you can continue coverage. Some states have passed legislation that gives employees of small employers the right to continue their health care coverage for a certain period of time.

**Tip:** The American Recovery and Reinvestment Act of 2009 provides that, for involuntary terminations that occur on or after September 1, 2008 and before January 1, 2010, assistance-eligible individuals will only need to pay 35 percent of COBRA premiums for a period of up to nine months. The remaining 65 percent of COBRA premiums will be subsidized. However, this premium subsidy may need to be repaid in some cases.

### ***Determine how you will handle your retirement account or pension plan funds***

If you will receive a lump-sum pension plan or savings plan distribution, decide where you want that money to go. It's easiest if you authorize your employer to transfer funds directly from your retirement plan to another retirement plan you have set up elsewhere. Although you may be tempted to withdraw money from your retirement account to provide much-needed income, do so only if this is your only option.

### ***Find out whether your employer-sponsored group disability or life insurance policy is convertible or portable***

When you lose your job, you may also lose your disability or life insurance coverage. Although disability insurance is rarely portable or convertible (you can't take it with you or convert it to an individual policy), your group life insurance policy may be.

### ***Ask how the company handles inquiries about your employment***

Afraid of being sued by vengeful ex-employees, many companies today will give only limited information about your employment. A few companies may be willing to give some information about the quality of your work, but, in general, companies may answer only factual questions such as your dates of employment. If you were fired, you may be happy if your company has a strict employment inquiry policy. However, if you quit or were laid off, you may wish that your employer would give out more positive information as well.

### ***Line up references***

If possible, you should line up one or more people who are willing to give you a good professional reference. Those you choose should be personally familiar with your work and hold positions in the company higher than your own. However, before you list any former supervisors as references, check with them; some companies forbid department managers or supervisors to give out information about former employees. Many individuals, however, will give out information anyway, but check with them first. You don't want to be surprised later if someone you list as a reference refuses to talk to your potential employer.

## **Finding a new job**

### ***Setting realistic expectations***

It may take you a lot longer to find a job than you think. You may have to update your resume, research job openings, and interview more than once with a potential employer. You should expect the job hunt to last at least six weeks and be prepared for it to last at least six months, especially in a tight job market (one rule of thumb is to expect it to last one month for every \$10,000 of compensation). You may also have to decide whether you're willing to move to a different area if you can't find a job locally.

### ***Setting up a support network***

Networking can mean either finding others who can support you emotionally when you're unemployed or finding individuals and printed materials that can help you find a new job. You can find emotional support through friends, relatives, job-hunters' support groups, or Internet sites. In addition, many resources are available to help you find a new job. You can find numerous books and newspapers at your local bookstore or library that will help you determine your career goals, prepare a resume, and research companies in your area. You can talk to professional job counselors, headhunters, temporary agencies, or image counselors (you may have to pay them a fee, in some cases) who can help you find job openings or line up interviews. You can even find jobs through the Internet or through your friends and family.

## **Starting your own business**

Many people who have lost their jobs to company downsizing decide to start their own businesses and, after years of working for someone else, really enjoy being in charge of their own company. If you are tempted to start your own business, be aware that most new businesses fail quickly, often due to the lack of cash flow and thorough planning.

## **Setting Up a Support Network When You're Unemployed**

### **What is an unemployment support network?**

An unemployment support network is a group of people, organizations, or resources available to help you cope with issues that unemployed people must face. Setting up a support network when you're unemployed is important for several reasons. First, when you lose your job, your ego is likely to be damaged, and you'll benefit from the encouragement and perspective that talking to others can bring. Second, if you plan on returning to work, you may need help finding a new job or exploring a career change. Third, if you're an older unemployed worker thinking about retiring rather than seeking another job, you may need the advice of others who have experienced retirement firsthand. Whatever your reason for needing support, you can easily find it if you know where to look.

## **Emotional support**

When you lose your job, you'll most likely turn to your friends and family for emotional support. Another option is to find or form a support group (also called a self-help group) to share information and provide emotional support to one another.

### ***Finding a support group***

If you live in a metropolitan area, finding a local support group should be easy. Look in the Local or Community sections of your newspaper or contact your local community center, college, or university to see if it sponsors support groups. You can also try the American Self-Help Group Clearinghouse website [www.mentalhelp.net](http://www.mentalhelp.net) for information on starting or finding a self-help group in your area.

## **Job-hunting services and assistance**

Rather than go it alone, you may choose to find a job using an employment professional or a government agency or community organization. Some employment professionals will charge you a fee for their services, while others do not. Government job services are free but may offer only basic assistance. Community organizations may sponsor free or low-cost services, which are sometimes tailored to the needs of specific groups.

### ***For-fee services***

If you are having trouble marketing yourself, you might consider paying someone to help you. You can, for instance, hire image counselors to teach you how to dress professionally, rewrite your resume, target your job search, and rehearse interviewing. Or, in a tight job market, you might use a for-fee job placement agency. You sign a contract with the agency, under which you promise to pay a flat fee or a certain percentage of your first year's salary and in turn, the agency promises to find you a suitable job. Whatever your reason for paying someone to help you find a job, be careful. Before you sign a contract, know what you'll get for your money. How hard will the company work for you? What kind of guarantee does it offer? What specific services does it offer? In particular, check the company's reputation. Make sure that it has been in business in the same location for several years, and call the Better Business Bureau (if the agency is a member) and ask for references or published statistics on its placement success rates.

### ***Fee-paid services***

- **Headhunters and recruiters:** If you work in a high-demand occupation or you are a professional with a few years of experience, you may be able to find a job through a recruiter or a headhunter. In fact, one may come looking for you! Headhunters or recruitment professionals are usually paid by companies who use them to find qualified employees. Most headhunters specialize in finding employees in a particular field, and they expect you to be flexible. They may not want to talk to you, for example, unless you are willing to relocate. They also may not be interested in you if you are changing career paths or if you don't match their area of specialization and requirements.

**Caution:** A recruiter can seem like your best friend when you are unemployed. Remember, however, that the recruiter is also a salesperson, and you are the product. Don't be upset by a recruiter's reluctance to talk to you unless you are a seasoned professional, and don't be misled into thinking that a job offered through a recruiter is necessarily the best job for you or the only good way to find a job.

- **The temporary or permanent placement agency:** Another type of fee-paid employment service is the temporary or permanent placement agency. You sign up with an agency and specify the type of position you are looking for, and it tries to match you with a job opening. You'll work for the agency, not for the company unless the company buys your contract from the agency. This means that you won't be eligible for any company benefits or perks. Some agencies specialize in placing candidates in a certain industry (banking, for instance) while others are generalists. A good employment service will be responsive to your needs, offer training and benefits (if necessary), and won't mislead you about the jobs they usually have available. Some companies publish "teaser" jobs in the paper that probably won't be available when you call the agency because they are designed to lure you in to fill out an application.

**Caution:** Although taking a temporary job is a good way of supporting yourself for a short time or even finding a permanent job with a good company, you'll probably find that the pay is relatively low. However, you may be able to negotiate a better rate of pay if you are a good, qualified candidate.

### ***Government agencies and community services***

Your local employment office (where you apply for unemployment insurance benefits) may assist you in finding a new job, or there may be programs set up in your community to help displaced workers, low-income workers, senior workers, or veterans. Check your telephone directory under Job Services, Employment Services, or Social Services. Your local college or university may also sponsor career-counseling seminars or courses that are open to the public even if attendees are not enrolled in a degree program.

### ***Outplacement assistance***

If you have prior warning that you will be losing your job, you can do several things to make unemployment easier. First, if you're being laid off, find out if your company has outplacement assistance. You may be able to attend seminars or speak with a job counselor one on one. Next, if you plan on looking for another job, ask about your current company's policy regarding employment verification and references. If a potential employer calls and asks about your work history, what information will the company give out? In addition, are your coworkers or supervisors allowed to give professional and/or personal references? If you're leaving the company because you're moving or being laid off, don't forget to ask everyone you know who might have leads on job openings for introductions to managers or executives at other companies.

## **Other job-hunting resources**

### ***The Internet***

Many Internet sites are devoted to the needs and concerns of the job-hunter. These sites offer career counseling, networking opportunities, job fairs, and lists of available jobs (including on-line applications). Some popular sites are Monster ([www.monster.com](http://www.monster.com)), Headhunter.net ([www.headhunter.net](http://www.headhunter.net)), and the Career Resource Center ([www.careers.org](http://www.careers.org)). When you've lined up a job interview, you can prepare for the interview by researching the company on-line under the company name. You may be able to pull up press releases, articles about the company, or even financial information. You may have to pay an extra fee for the latter. Information about public companies is readily available, while information about private companies can be difficult to find.

### ***Libraries and bookstores***

If you go to the library or a bookstore, you'll find many books on job hunting and career counseling. These books can be quite useful, particularly if you've been out of the job market for a while or you need help in a particular area. You can also buy or read local and out-of-town newspapers that advertise jobs.

### ***Friends, family, and acquaintances***

One good way to find a new job is to tell everyone you know that you're looking for one. Your friends, family, and acquaintances may know about jobs that are presently open within their companies or about job opportunities that might be available in the future. They may also be able to put a good word in for you with a manager or the human resources department. Some companies use a very formal process to hire (first open the job to current employees, next advertise the job to others), while others hire more informally.

## **Special considerations for retirees**

There are many resources tailored to your needs if you are an unemployed older worker looking forward to a relaxing retirement, searching for volunteer opportunities, thinking about working part-time, interested in opening your own business, or facing health concerns. You can find

support groups in your community or on the Internet to help you adjust to retirement. There are also a multitude of organizations set up just to help you find the resources and information you need. A good place to start is the American Association of Retired Persons (AARP). Call (888) OUR-AARP (888-687-2277).

## Surviving Financially When You're Unemployed

### What is it?

When you lose your job, you may have to put yourself on a financial diet. Just as losing weight is simple if you eat less (and exercise more), staying afloat financially is simple if you spend less. Is this process going to be easy? No, of course not. But it can be done with a little self-discipline, some creativity, and a lot of planning.

#### *Plan for a six-month period of unemployment*

It's hard to know how long you'll be unemployed. You may find a new job within a matter of weeks, or it may take you months. However, it's best to plan for a worst-case scenario, probably six months. Most likely, you'll find a job sooner, and you can throw the rest of your plan in the trash. But, if you don't find a job quickly, at least you'll be prepared.

#### *Follow the plan*

When you've come up with a financial plan, stick to it. Like any diet, you'll be tempted to cheat by spending a little more money than you should. You may even find that as time goes by, you want to change your plan a bit. That's OK. Your plan is designed to be flexible so that you don't feel too burdened by something that seems unworkable.

### Adjust your expectations

#### *No, finding a new job is not going to be easy*

First, despite the number of appealing job ads you see in the Sunday paper, finding a new job is not going to be easy. Even if you're one of the lucky few that's working in an occupation that's in high demand, finding a new job is probably going to take at least a few weeks and maybe months. Your job search may look something like this:

- Week One: Send out ten resumes, and wait for the phone to ring.
- Week Two: Send out ten more resumes, and wait some more.
- Week Three: Send out five resumes for jobs you really want and five for jobs that you really don't want. The phone rings. It's your mother.
- Week Four: The phone rings. Then it rings again. You line up two job interviews. You send out three more resumes.
- Week Five: You have two interviews, and send out five more resumes. You're called for a second interview at one of the jobs.

- Week Six: Good news! You're hired! Bad news: You can't start for two more weeks.

As you can see, even a successful job search can take a while, even if you're a good candidate in a good job market. Prepare yourself for this by drawing up a financial plan as soon as you lose your job.

### ***Expect that life is going to change***

When you lose your job, you probably won't be able to live the same way you lived when you had a job. If you try to live the same way, there's a good chance you won't survive financially. If you're unemployed for only a few weeks, your life might not change radically. Perhaps you'll only need to spend a little less on groceries, go out to eat once every two weeks instead of once a week, and then dip into your savings account. But if you're unemployed for months, or if your basic living expenses are high, you're going to have to take a more radical approach to survive. You may have to sell your house, your car, or take a temporary job. Prepare yourself mentally for this.

## **Map out your priorities**

### ***How desperate are you?***

Desperation can trick you. Things that you once said that you'd never do, seem more and more appealing as time passes and you can't find a new job. When you started your job search, maybe you said "I'll do anything to survive, but I won't sell my Jeep!" Four months later, you're saying, "OK, maybe the Jeep has to go, but I'll never disconnect my cable." Hopefully, you'll never reach the point where you say, "I'll declare bankruptcy, but only Chapter 13, not Chapter 7!" After all, you do have some pride, don't you? What are the things you will and won't do, will or won't sell to survive financially? At this point, do yourself a favor and map them out.

### ***Remember, diets (even financial ones) don't last forever***

Keep in mind as you plan for unemployment that even though you're on a financial diet, no diet lasts forever. At some point, you'll find another job and the crisis will pass. Therefore, you want to be especially careful that the decisions you make now aren't shortsighted. Do what you can to survive, but only do what you really have to.

## **Draft a survival budget**

The next step is to draft a survival budget. If you currently have a budget, use that as a guide. If you don't, you'll have to start from scratch by listing all your income and expenses. A survival budget is a bare-bones version of a regular budget. What you want to end up with is an idea of what income you need to actually survive. Start by listing your expenses and your post-employment income. Remember to include only expenses that are necessary; eliminate any items that are luxuries or that you could reasonably do without.

## **Find ways to increase your income**

There are many ways to increase your income while you look for a new job, some of which you should look into immediately, and others only when you are truly desperate.

### ***Unemployment insurance***

One of the first places you should look for income when you lose your job is your state's employment office. However, you can only receive unemployment benefits if you meet certain eligibility criteria. Mainly, you must be involuntarily unemployed. This means that if you've quit your job, you have no chance of receiving unemployment benefits, but if you've been laid off or fired (but not for misconduct), you should definitely check into it. Benefits and regulations vary from state to state, so it's hard to say how much you'll get. But if your application is approved, you should begin receiving benefits quickly, often within a week or two. For more information on this, see Unemployment Compensation.

### ***Severance pay***

You may be eligible for severance pay if you are laid off. How much you receive will depend upon your employer's policy. You may have the option of receiving a lump-sum payment or a continuation of salary. If you take a lump-sum payment, you'll have immediate control over your money, but you may lose your employee benefits. If you take a continuation of salary, you may keep your benefits, but you'll have to trust the company that laid you off in the first place to stay financially sound.

### ***Savings***

If you've planned ahead, you may have an emergency fund set up that's equal to three to six months of living expenses from which you can borrow when you need to supplement your income. This is a great source of income . . . if you have it. Many people don't, and are surprised to see how fast a savings account can be depleted when it's used as a source of funds for everyday expenses.

### ***Credit insurance***

You probably don't have credit insurance that will make your bill payments when you're unemployed. However, if you have any doubt, call your mortgage company, or credit card companies to find out or check your billing statements. Perhaps you inadvertently signed up for such protection, which adds a few dollars to your payment every month. However, you may have to wait for a while before receiving benefits.

### ***Part-time or temporary job***

If you get a little more desperate, you should think about taking a part-time or temporary job to supplement your income. This may be a good idea for two reasons. First, you'll feel less stress if you know that you have at least some regular income coming in. Second, you may even be able to parlay a part-time or temporary job into a full-time job, or gain experience that will help you in your job search. Third, you'll be able to schedule interviews relatively easily, if you can decide where or when you want to work (as you can with many temporary assignments). Even if you take a job that you feel doesn't have career potential, you'll feel better just doing something besides sitting around the house worrying.

### ***Have a yard sale***

Depending upon what you have to sell, having a yard sale can be quite lucrative. If you look around your house, you'll be surprised at how much you own that you really don't need. Make a list of things you want to get rid of, and list them in order of priority. If you're really desperate or if you don't care about an item, price it accordingly. If you don't want to sell it unless you get a good price, keep that in mind as well. Also consider consigning items at a shop if you have specific things to sell.

### ***Sell your house, or rent it***

As a last-ditch attempt to remain solvent, selling your house can be advantageous if you can raise a lot of cash this way and if you want to reduce your monthly cash outlay over the long-term. It's not a good short-term way to raise cash because it will take time to implement, and it has long-term consequences. After you accept an offer on your house, you could have trouble if you change your mind, and the impact on your family will be far-reaching. If you want to temporarily reduce what you pay for housing, however, you may want to consider moving to an apartment (or cheaper housing) and renting out your home for a year or two. However, any decisions you make in this area should be made carefully, and only after considering the true cost of your decision and how much you can actually get out of the deal.

### ***Withdraw money from your tax-deferred retirement account***

Withdrawing money from your tax-deferred retirement account (e.g., an IRA or employer-sponsored retirement plan) is an option you should consider only as a last resort to avoid bankruptcy. In general, any money you withdraw from a tax-deferred retirement account will be taxed as ordinary income for the year in which you make the withdrawal. In addition, you may have to pay a 10 percent penalty tax for early withdrawal if you're under age 59½. The IRS allows exceptions to the penalty tax under certain conditions, however. If you are under age 59½ and considering taking funds from your IRA or retirement plan, see Premature Distribution Rule to find out if one of the exceptions applies to your situation.

**Tip:** If you are considering taking funds from your IRA or retirement plan, you should consult a tax advisor regarding the specific tax treatment of your withdrawal, because not all of it will necessarily be taxable. For example, if you have ever made nondeductible contributions to your traditional IRA or after-tax contributions to your employer's plan, a portion of your withdrawal may not be subject to tax. Also, qualifying withdrawals from a Roth IRA are totally tax free, and even nonqualifying withdrawals may not be fully taxable (since Roth IRAs are funded only with after-tax contributions).

### ***Borrow from the cash value of your life insurance policy***

If you have a life insurance policy with cash value, consider borrowing the cash reserves. You'll have to repay the money, but not right away.

### ***Borrow from relatives***

Borrowing from relatives can be difficult. Not only will you have to put aside your pride, but you'll also have to contend with the consequences. Your relatives may be generous, but there's a chance that their generosity will backfire. What if you can't pay the money back? What if you eat out one night? Will they secretly (or vocally) hold this against you? If you do borrow from a relative, clearly outline the terms of the loan in writing, if necessary. That way, you'll reduce the chance for a future conflict.

## **Reduce expenses**

### ***Increase deductibles on auto insurance***

Check with your insurance company to find out how much you could save per month on your auto insurance premium if you increased your deductible. However, remember that if you get into an accident, you'll have to pay the deductible out of pocket. Will you be able to come up with a large amount of cash while you're unemployed? Balance the risk with the benefits.

### ***Sell your car***

While many people consider a car to be a necessity, you may be able to dramatically reduce your monthly expenses by selling yours--they are expensive to drive and maintain. Not only do you have to pay for gas and upkeep, but in many cases, you also have to pay insurance premiums and monthly car payments. This can add up to several hundred dollars per month--money you could really use when you're unemployed. Keep in mind, however, that if you have a loan on your car, you might owe more than your car is worth; if you sell your car for less than the loan balance, you'll still have to make payments until the balance is paid off (or take out another loan to pay off the car loan balance). Also, if you get another job, you may need to buy another car, and many lenders require a certain length of employment before they give you a loan. Investigate your options thoroughly before you sell your car.

Selling your car may also be a good way to raise a large amount of cash quickly. This will depend, of course, on whether you own your car, whether you have a loan for it, and what your car is worth. Again, this is a decision to make carefully. If you have a loan, call your bank to find out the procedure to follow, because until your bank releases the title, you don't really own the car. They can also tell you the book value of your car and your loan balance. If you own your car outright, research its value at the library or on the Internet, and decide what price to charge.

### ***Negotiate with your creditors***

If you find that you're having trouble paying all your bills, seriously consider negotiating with your creditors. Assuming that you have good credit, you may find it relatively easy to reduce the

interest rates on your credit cards, skip a payment or two on your car loan, or reduce your monthly payments temporarily. To do this, you'll have to put aside your pride and admit that you're having financial difficulties. You'll be in a much better negotiating position, however, if you call your creditors before you get into financial trouble. Some creditors will turn you down, but most will negotiate with you. If you wait until you've already missed more than one payment and the creditors are calling you, you'll have more trouble making your case. If you need help negotiating with your creditors or managing your debt, you may want to call a nonprofit credit counseling organization, such as the Consumer Credit Counseling Service (CCCS). For further information on CCCS, call (800) 388-CCCS. For further information on restructuring debt, read *Options When You Can't Meet Your Financial Obligations*.

**Caution:** If your creditor agrees to let you skip payments or pay reduced amounts, honor the terms of your agreement, and keep in close contact with your creditor's representative. Otherwise, your good credit may be ruined.

### ***Discontinue discretionary expenses***

You probably pay for a lot of things you don't really need. For instance, think about canceling magazine subscriptions, extra phone services, credit cards you don't use that have an annual fee, health club memberships (if possible without incurring a large cancellation fee), auto club memberships, cable television, and Internet service (although this can help you find a job). You may even save a few dollars a month by switching banks if you currently pay monthly checking fees. Every little bit helps.

**Tip:** If you're billed annually for some of these things, you won't save any money unless you cancel them at renewal because you won't ordinarily get a refund.

### ***Limit long-distance calls***

If your long-distance bills are high, put yourself on a phone budget. Vow to spend no more than a certain amount (say \$25 a month) on long-distance. To keep track of your calls, keep a notebook next to your phone so that you can easily see when you've reached your limit.

## **Strategies to consider if you have more time to prepare**

Often you lose your job with little warning. However, if you're being laid off or plan to quit your job, you may have time to save money for unemployment by using the following strategies.

### ***Establish a home equity line of credit***

If you have enough time, consider establishing a home equity line of credit, if you have enough equity in your house (20 percent is often the minimum), and if you can find a bank that will loan you money without charging you closing costs. With a home equity line of credit, you'll pay interest only on the portion you use. However, the bank may charge you an annual fee or require that you take a certain draw on the line up front. You may even be able to use the line to pay off credit cards or loans that carry a higher interest rate, and consolidate your debt. You'll still have to make a monthly payment, however, so make sure you'll be able to afford it before you put your house on the line. In addition, beware when lenders claim that your home equity line of credit will be tax deductible. Although this may be true in many cases, you should consult your tax advisor to find out whether it will be true in your case.

**Caution:** Use caution when using your house as a debt management tool. If you can't pay your loan back, you may lose your house. For more information, see Home Equity Loans and Lines of Credit.

### ***Reduce contributions to retirement or education funds***

Once you know you are going to lose your job, stop contributing to any savings plans that you'll have trouble accessing, or that aren't necessary. These include retirement funds, education funds, and Christmas club accounts.

### ***Decrease your withholding***

Consider increasing your withholding allowances to reduce the amount that is taken out of your paycheck. Deposit this extra money in a savings account. Of course, be careful that you don't claim more allowances than you are entitled to. When you get a new job, you should look at your tax liability for the year. It's possible at that time that you'll have to increase your withholding to make up the difference.

## **Plan a financial strategy**

Once you've mapped out your priorities and drafted a bare-bones budget, you're ready to come up with your own six-month financial strategy. After you've formulated your own strategy, post it somewhere (maybe on the refrigerator) where you can use it everyday to chart your progress.

## **Options When You Can't Meet Your Financial Obligations**

### **Introduction**

If you're unable to meet your financial obligations, you have options. Which option or options you choose will depend on how severe your financial problems are and what resources you have. You should, however, act now. Delaying action could lead to further difficulties, including potential damage to your credit history, or even the possible loss of your home.

If you've lost income temporarily due to unemployment, reduced hours, separation or divorce, death of your spouse, or illness or injury, you may be able to survive for a period of time by collecting unemployment compensation, government assistance, or insurance, or by making lifestyle adjustments.

If overspending and mounting debts are a problem, you'll need to get your spending under control. You may want to consult a credit counselor to help you deal with creditors, reduce debt, and learn to manage your money better. And, if you can't get back on your financial feet again, either alone or with help, you may need to consider filing personal bankruptcy.

## **How you can help yourself**

## ***Increase your income, decrease your expenses***

If possible, one way to ease your financial distress is to increase your income. You and/or your spouse might increase your hours, get a better paying job, or take on a second job temporarily. Alternatively, you might consider taking in a boarder, having your children contribute, or converting assets to cash.

Another way to narrow the gap between income and expenses is to eliminate or reduce nonessential expenses such as dining out and entertainment, and reduce essentials if possible.

## ***Restructure current debts***

There are a number of ways to restructure your current debts. One way is to refinance a debt and increase the repayment term. It may take you longer to repay the debt, but your monthly payment amount will decrease. Refinancing may also be a good option if it lowers your interest rate on the debt, resulting in a lower monthly payment amount.

You might also consider consolidating debts, if possible. This can be a good way to catch up on overdue accounts and start fresh with a single creditor. If you can also extend the repayment period and lower your monthly payment, you may be able to keep from falling behind again.

If you can't refinance or consolidate, at least contact your creditors and let them know you are having financial difficulties. Try to work out an acceptable payment schedule. Most creditors will be receptive to your attempts, especially if you call before you fall too far behind on your payments.

## **How others can help you**

### ***Credit counseling***

If you're unable to restructure debt payments on your own, you may want to consult a professional

credit counselor. Credit counselors will contact your creditors and attempt to negotiate affordable repayment terms for you. They may be able to negotiate a reduction of interest rates, a waiver of penalties and late fees, extended repayment terms, and, in rare cases, partial loan forgiveness. Some arrange for consolidation loans and offer other financial services and advice.

### ***Consumer Credit Counseling Service***

If you can't afford to hire a credit counselor, you may find help at your local

Consumer Credit Counseling Services (CCCS)

office or other nonprofit credit counseling service. These nonprofit companies basically provide the same services as a professional credit counselor but at little or no cost to you. Instead of billing you for services rendered, their operations are funded by creditor contributions. Typically, CCCS negotiates with your creditors to formulate an affordable repayment plan.

**Tip:** CCCS and other nonprofit credit counseling services can't force creditors to participate in repayment plans, but it will cost you little or nothing to explore this option.

## ***Restructuring debt through bankruptcy***

Both individuals and businesses can restructure their debts in

bankruptcy. Under

Chapter 13, an individual with a regular source of income may be able to gain court approval of a repayment plan over a period of three to five years.

Chapter 12

provides the same basic relief, with some modifications, for family farmers and family commercial fishing operations. Under

Chapter 11, a business can propose a plan of reorganization to its creditors. Chapter 11 debtors can continue operating the business, and use future earnings to pay past due amounts.

**Tip:** You should seek the advice of an attorney when considering bankruptcy.

## **Chapter 7 bankruptcy**

If your income is less than a certain amount, you might be able to file bankruptcy under

Chapter 7. Under Chapter 7, debtors can keep exempt assets, but non-exempt property is sold and the proceeds are distributed to pay creditors. Remaining debts are discharged (with some exceptions). Relieved of the obligation to repay certain debts, you get the opportunity for a fresh start. To find out if you qualify, contact an attorney in your state.

## **When borrowing money is an addiction**

For many people, problems with money rise to the level of compulsive addictive behavior. For them, the need to incur debt is an uncontrollable urge. Compulsive debtors can get help through

Debtors Anonymous, a twelve-step self help support group modeled after the program of Alcoholics Anonymous. If you are having trouble with debt and you are ready to admit that you are powerless over your problems with debt, then you may want to attend an open meeting of Debtors Anonymous and learn more about it.

Similarly, if other addictive behavior (such as alcohol abuse, drug abuse, compulsive gambling, or compulsive shopping) is causing you financial trouble, then you may want to check out the twelve-step groups that focus on these issues. Even bankruptcy will not solve your problems if your addictive behavior lands you back in the same financial predicament that you originally tried to avoid.

**Tip:** Twelve-step programs are free and self-supporting through voluntary member contributions. You can contact Debtors Anonymous, Alcoholics Anonymous, Narcotics

Anonymous, Cocaine-Users Anonymous, and other twelve-step groups by checking in your local phone book or the phone book of the major town or city closest to your home.

## Dealing with Periods of Crisis

### What is it?

By definition, a crisis is a turning point, a time when you have to make crucial decisions (often suddenly) that will affect your future. Although smart planning is the key to effectively dealing with periods of crisis, you may find yourself suddenly dealing with an unexpected event that you didn't prepare for, and you wonder what to do next. Whether you're planning ahead or dealing with a crisis now, take control. There's no escaping the fact that a crisis is a life-changing event, but how you handle a crisis will, in part, determine whether your life changes for the better or for the worse.

### Planning for a future crisis

#### *Identify and manage risk*

What future crises are you likely to face? While you hope that the answer to this question is none, that's an overly optimistic thought. It's almost inevitable that you will face one crisis or more during your lifetime. While you can't have a plan to deal with all possible risks, you can plan for events that seem likely and for some events that may seem unlikely. You should, for instance, plan for events such as death, illness, and job loss. You may not, however, have to plan for crisis risks that are unlikely to affect you, such as divorce (if you are single or happily married), or natural disaster (if you live in a non-disaster prone area). Knowing that you have some plan will help you deal with a crisis if you ever do confront one.

Specific advice related to illness and job loss can be found in *Coping with Illness*, and *Coping with Unemployment*.

#### *Plan for contingencies*

Any plan you make for dealing with a future crisis should be flexible. Part of the stress you feel when confronting a crisis is because crises are unexpected and unpredictable. You won't know ahead of time how you'll react and exactly what you'll have to confront. One good approach is to plan for a worst-case scenario. For instance, if you plan for a period of unemployment that lasts for two months, what will you do if it stretches for six months? If you plan around a six-month period of unemployment, however, you'll know what to do if it only lasts for two months.

#### *Organize your records*

A key component of planning for a crisis is organizing your records and personal papers. This is particularly true if you become sick, incapacitated or die and your loved ones have to assume responsibility for your finances. You will also be able to readily access vital information instead of wasting time and energy trying to find it. At the very least, you'll want to set up a filing system and give a list of your important documents and advisors to a trusted friend for safekeeping. For more information on this topic, see *Organizing Important Records and Documents*.

## ***Plan your finances***

Unless you have significant liquid assets, planning for a crisis means, in large part, planning your finances. Many financial professionals advise their clients to keep an emergency fund equal to at least three months worth of expenses, just in case your income flow stops or your expenses increase. This emergency fund can make a big difference because many things can change in three months. If you don't have the emergency fund, however, you may have to make hasty decisions regarding your future, such as taking a new job you don't really want, selling prized personal possessions, or dipping into your college or retirement fund. You should also work up a bare-bones budget that reflects only your basic living expenses. Cut out all luxuries, and determine the least amount of income you need to survive. For more information see Cash Reserve, Budgeting, and Surviving Financially When You're Unemployed.

## ***Quantify your plan***

When you plan for a future crisis, don't be too general. Instead, be as specific as possible and write down your options. This way, you'll be less tempted to avoid decisions by thinking you'll deal with that when the time comes, and you'll have something concrete to refer to if you must deal with a crisis situation. You'll feel calmer, too, when you're facing the crisis. People who live in areas prone to natural disasters often keep emergency kits in their cars or homes in case they need to evacuate in a hurry--a good example of this principle.

## **Dealing with an immediate crisis**

### ***Act, don't react***

Often when facing an immediate crisis, you want to do something, just about anything to solve the crisis, or you want to run away. While both responses are natural, neither is helpful. While you definitely need to do something in a crisis situation besides hide your head in the sand, you shouldn't do just anything. In fact, it may even be preferable to take no action for a few days to let your emotions cool a bit. Then, act, but don't react. To the extent possible, collect information and advice and formulate a plan. You may have only hours or days to do this, but some plan is better than none. If you feel that you can't keep your emotions separate from your actions, ask a friend, relative, or professional to help you sort through your options.

### ***Make a list of things that you need to do***

When you have to plan in a hurry, the easiest way is to make a simple list of things you have to do. List as many items as possible. Then, as you do them, you can check them off. This is important because when you're under stress, you may forget to do important tasks. In addition, a list will help you remember to focus on action, not reaction.

### ***Find help***

No one should have to weather a crisis alone. Even if you're alone in the world or if you don't want to burden your loved ones with details, there are community resources and individuals (paid and unpaid) who can give you general and specific advice.

# Dealing with illness or disability

## *Harness your emotions*

If you find out that you, or someone close to you is sick, hurt, or dying, you'll probably feel numb, scared, angry, sad, anxious, or even panicked. It's likely that your initial feelings will change, but you may never accept your situation. You don't necessarily have to accept illness and its consequences to deal with it, however, and you can control how you react to it. In fact, some people need to feel in control of everything when they become sick because they are unable to control their disease. Remember that this need for control is common, and it can be positive if you use your energy to make unemotional decisions that will affect you and your loved ones.

## *Find support*

When you're sick or hurt or caring for someone else who is, it's vital to have a support network. Hopefully, you have close friends and relatives that will help you. But many people don't come forward to help and even well-intentioned friends and relatives may not give you as much help as you need. Fortunately, there are many community resources available to help you. For more information on this, see *Setting Up a Support Network When You're Sick* and, if you're caring for an aging or ill parent, *Caring for Your Aging Parent*.

## *Find a way to pay your bills*

Paying your bills when you're sick can be hard because you can't work at all or perhaps can work only part-time. If you own your own disability insurance policy, check your coverage and contact your insurance company for claims information. Your employer may have group disability insurance that you aren't aware of that will help you. If you were hurt or became sick from job-related causes, you may be able to collect benefits from workers' compensation. If your disability is expected to last a year or more (or even result in your death), you may be eligible for Social Security disability benefits. But if you have no hope of receiving disability insurance benefits, you'll have to cut your expenses and rely on your savings or spousal income. If you have limited income, you may be able to qualify for Supplemental Security Income (SSI) benefits or other government programs. For more information see *Coping with Illness, Workers' Compensation, and Supplemental Security Income (SSI) Benefits*.

## *Determine how the illness will affect your job*

If you work and become sick or get hurt, or if you have to care for someone else who is ill, you're probably worried about how you're going to keep your job. First, talk to your employer about what benefits you are entitled to in the event you are disabled. Your employer may be used to dealing with situations like yours and may have programs in place that you don't know about. Next, be aware that if you work for a company that employs 50 or more people, you may be entitled to take up to 12 weeks unpaid leave under the Family and Medical Leave Act of 1993 if you need time off to recuperate or to care for someone else.

## *Plan for the future*

Planning for the future is vital. When you're sick, you suddenly realize the limits of your own mortality and your priorities may become clearer. It's a good idea at this point to set new

priorities and goals for the future. If you're terminally ill, this step is critical. You may also need to quickly revise your financial and estate plans. Even if you expect to recover from your illness, you'll benefit from reviewing your insurance coverage and your financial plans and by applying lessons learned from your illness to planning for the future.

## Dealing with unemployment

### *Deal with your emotions*

When you lose your job (unless you've quit), you're usually angry and discouraged. It's natural if your self-esteem is ebbing, and you may be tempted to run away from your problem instead of facing it. You may be tempted to make a drastic career change, start your own business, or continue your education. Although doing one of these things may be right for you, be careful. You may be reacting emotionally rather than logically. Following your dream can be wonderful, but it can also be a way to escape from the crisis that confronts you. Check out your options carefully, and don't forget that finding a new job is one of them.

### *Find support*

If you're married, you may be tempted to rely upon your spouse for support, and he or she is probably happy to give it to you. Remember, though, the most loving spouse in the world can't solve all your problems and is probably more anxious over your job loss than you realize. Share your burden with your friends, a support group, a career counselor, or a financial professional. For more information on this topic see [Setting Up a Support Network When You're Unemployed](#).

### *Find a way to pay your bills*

If you've lost your job through a layoff or because you were fired, immediately contact your state's unemployment office. You may be able to apply by phone or by mail, and you may receive benefits quickly once your application is verified. You'll also need to find ways to cut expenses or increase your income. If you know that you are losing your job a few weeks or months before it happens, you'll have time to restructure your debt, take a part-time job to fund your future unemployment, or borrow against your savings, home, or investments. If your job loss is sudden, however, you may need to rely upon your savings and find ways to reduce your payments on bills. For more information on this topic see [Coping with Unemployment](#).

### *Find a new job*

One of the first things on your mind when you lose your job is finding another one. You may be surprised at how difficult this is, particularly if you've worked at the same job for a long time. If you've dealt with unemployment before, you probably know the drill: update your resume, check the want ads, begin to network, etc. Even if you're an experienced job seeker, there are resources that can help you. For more information see [Coping with Unemployment](#).

### Coping with Unemployment Checklist

General information	Yes	No	N/A
1. Has relevant personal information been gathered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<ul style="list-style-type: none"> <li>Names, ages</li> <li>Children and other dependents</li> </ul>			
<p>2. Has financial situation been assessed?</p> <ul style="list-style-type: none"> <li>Income</li> <li>Expenses</li> <li>Assets</li> <li>Liabilities</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			
<b>Employee benefits</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1. Did you meet with your former employer's Human Resources department or your manager about your benefits?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you know when you will get your final paycheck?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Will you receive accrued vacation, sick pay, or overtime?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Are you eligible for workers' compensation or disability benefits?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Will you receive a severance package?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Can you keep your employer-sponsored life insurance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Does your former employer offer outplacement resources?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Have you secured reference letters?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			
<b>Filing for unemployment</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1. Have you filed a claim for unemployment benefits?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you have your personal information including	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Social Security number and driver's license number?			
3. Do you have your former employer's information including name, address, federal tax ID number (from your W2)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you have the dates you began and ended employment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you have a record of your earnings (W2)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			
<hr/>			
<b>Health insurance benefits</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1. Will you have health insurance after you leave your job?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Have you checked for the availability of COBRA or state-mandated health insurance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Can you get health insurance through your spouse's plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Have you checked on the cost of health insurance after you leave your job?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you have a Health Savings Account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			
<hr/>			
<b>Employee's retirement benefits</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1. Do you have a defined benefit or other pension plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Are your benefits fully vested?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. If yes, can you receive the plan benefits or transfer the plan benefits to another account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you have a 401(k), profit-sharing plan, 403(b), 457(b), or other similar plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Are your employer contributions fully vested?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Do you have an outstanding plan loan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. If yes, can you receive the plan benefits or transfer them to another account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			
<b>Your financial picture</b>			
	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1. Do you have other sources of income while you're unemployed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• Unemployment compensation</li> <li>• Pension</li> <li>• Spouse's income</li> <li>• Interest/dividend</li> <li>• Alimony/child support</li> <li>• Workers' compensation/disability</li> </ul>			
2. Do you have savings you can use for expenses?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• Checking/savings/money market/CDs</li> <li>• Stocks/bonds/mutual funds</li> <li>• Annuities</li> <li>• Cash value life insurance</li> <li>• Retirement plans (IRA, 401(k), pension)</li> <li>• Other (Social Security disability, veterans benefits, etc.)</li> </ul>			
3. Have you estimated all your expenses?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• Housing costs</li> <li>• Taxes</li> <li>• Food, clothing, and other household expenses</li> <li>• Transportation costs and auto insurance</li> <li>• Health-care expenses including insurance premiums</li> <li>• Life, long-term care, and disability insurance costs</li> <li>• Child-care costs</li> <li>• Mortgages</li> <li>• Credit cards</li> </ul>			
4. Do you know how long your unemployment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

compensation and other sources of income will last?			
5. Do you know how long your savings will last if your unemployment and other sources of income end?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			
<hr/>			
<b>Finding your new job</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1. Have you assessed your job skills?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Is it time to start a new career?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Are you ready to start/buy a business or franchise?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Will you seek professional help?  <ul style="list-style-type: none"> <li>• Headhunter</li> <li>• Career counselors</li> <li>• Online job search</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Have you prepared or updated your resume?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Have you established network contacts?  <ul style="list-style-type: none"> <li>• Current and former coworkers</li> <li>• Professional associations</li> <li>• Friends/family</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Have you honed your interviewing skills?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Have you lined up your references?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Have you determined what the going rate is for your skills?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Have you established your minimum salary requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Do you know the minimum employee benefits you require?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Notes:			

Your new job/career	Yes	No	N/A
1. Have you researched your prospective employer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the job match your skills?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the company financially stable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you know the employee benefits the company offers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the compensation offered meet your requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Can you negotiate your salary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Is health insurance offered? <ul style="list-style-type: none"> <li>• Type of plan(s) available</li> <li>• What's covered</li> <li>• Who's covered</li> <li>• How much will it cost</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Is an HSA available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Is sick time available? <ul style="list-style-type: none"> <li>• How much is offered</li> <li>• When is it available</li> <li>• What types of absences are covered</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Are retirement benefits offered? <ul style="list-style-type: none"> <li>• Plan types</li> <li>• Investment options</li> <li>• Vesting</li> <li>• Employer contributions</li> <li>• Portability</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Are other benefits available? <ul style="list-style-type: none"> <li>• Life insurance</li> <li>• Disability</li> <li>• Educational/training benefits</li> <li>• Other</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Notes:

## Receiving Unemployment Benefits

Do you worry about changes in the economy? Have you recently been fired or a victim of downsizing? Whatever your situation, you may be wondering if you're eligible for unemployment benefits. For a basic understanding of how unemployment benefits work, read on!

### Am I eligible?

Although specific eligibility requirements vary from state to state, most states have the same basic standards for collecting unemployment benefits. They include:

- You must be unemployed or working less than full time
- You must meet certain income requirements
- You must be ready, willing, and able to work
- You must have involuntarily left your job

In general, you won't be eligible for benefits if:

- You quit your job simply because you didn't like it
- You're fired for committing a crime (e.g., stealing)
- You've never worked before

For more information, contact your state's local employment office. You can also look in the state government section of your phone book under Unemployment Insurance, Unemployment Compensation, Employment Insurance, or Employment Service. Or, you can try surfing the Internet using these same key terms.

### Where does the money come from?

In most states, unemployment compensation is financed by employer contributions through a payroll tax. In a few states, employees are also required to contribute a minimal amount to the fund.

### How do I apply?

Most states will allow you to apply for benefits:

- In person
- By telephone
- By mail

When filling out the application, you'll be asked a lot of questions, so have the following information handy:

- Your Social Security number
- Your last employer's name, address, and phone number
- Your last day of work and the reason that you're no longer working
- Your salary history
- Your proof-of-citizenship status

## **How are benefits calculated?**

Regardless of which state you live in, you'll receive a weekly unemployment benefit based on how long you were employed and your prior wages. The state will calculate your average weekly wage, and you will receive a percentage of that wage based on your state's formula. You can figure out your average weekly wage by adding up 12 months' worth of pay stubs and dividing that number by 52. If you were salaried, just divide your annual salary by 52.

## **How long can I receive benefits?**

In most states, you can receive benefits for up to 26 weeks. However, federal laws and some state laws provide for additional benefits to be paid to workers who exhaust their regular benefits during periods of high unemployment. These additional benefits may be paid up to 13 weeks (20 weeks in some states) and are funded partly by state governments and partly by the federal government.

## **Are unemployment benefits taxable?**

The answer to this question comes as a big surprise to many people. Yes, the unemployment compensation you receive is taxable. It's not a free gift from Uncle Sam, and you must report this money as income. In some states, you can ask that taxes be withheld from your unemployment check. This could save you from a big tax bill at the end of the year. For more information, consult your tax advisor.

## **Getting Started: Establishing a Financial Safety Net**

In times of crisis, you don't want to be shaking pennies out of a piggy bank. Having a financial safety net in place can ensure that you're protected when a financial emergency arises. One way to accomplish this is by setting up a cash reserve, a pool of readily available funds that can help you meet emergency or highly urgent short-term needs.

## **How much is enough?**

Most financial professionals suggest that you have three to six months' worth of living expenses in your cash reserve. The actual amount, however, should be based on your particular circumstances. Do you have a mortgage? Do you have short-term and long-term disability protection? Are you paying for your child's orthodontics? Are you making car payments? Other

factors you need to consider include your job security, health, and income. The bottom line: Without an emergency fund, a period of crisis (e.g., unemployment, disability) could be financially devastating.

## **Building your cash reserve**

If you haven't established a cash reserve, or if the one you have is inadequate, you can take several steps to eliminate the shortfall:

- Save aggressively: If available, use payroll deduction at work; budget your savings as part of regular household expenses
- Reduce your discretionary spending (e.g., eating out, movies, lottery tickets)
- Use current or liquid assets (those that are cash or are convertible to cash within a year, such as a short-term certificate of deposit)
- Use earnings from other investments (e.g., stocks, bonds, or mutual funds)
- Check out other resources (e.g., do you have a cash value insurance policy that you can borrow from?)

A final note: Your credit line can be a secondary source of funds in a time of crisis. Borrowed money, however, has to be paid back (often at high interest rates). As a result, you shouldn't consider lenders as a primary source for your cash reserve.

## **Where to keep your cash reserve**

You'll want to make sure that your cash reserve is readily available when you need it. However, an FDIC-insured, low-interest savings account isn't your only option. There are several excellent alternatives, each with unique advantages. For example, money market accounts and short-term CDs typically offer higher interest rates than savings accounts, with little (if any) increased risk.

Don't confuse a money market mutual fund with a money market deposit account. An investment in a money market mutual fund is not insured or guaranteed by the FDIC. Although the mutual fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund. However, as of September 29, 2008, a money market fund may have backing from the U.S. Treasury if it has chosen to participate in the Treasury's temporary guarantee program. For a participating fund, the Treasury will guarantee the \$1 per share value of a fund if its net asset value (NAV) drops below a certain level. You can contact your fund to find out whether it has the Treasury guarantee. Also, a fund may have arranged for private insurance, though that protection may be subject to the claims-paying ability of the insurer.

Note: When considering a money market mutual fund, be sure to obtain and read the fund's prospectus, which is available from the fund or your financial advisor, and outlines the fund's investment objectives, risks, fees, expenses. Carefully consider those factors before investing.

It's important to note that certain fixed-term investment vehicles (i.e., those that pledge to return your principal plus interest on a given date), such as CDs, impose a significant penalty for early withdrawals. So, if you're going to use fixed-term investments as part of your cash reserve,

you'll want to be sure to ladder (stagger) their maturity dates over a short period of time (e.g., two to five months). This will ensure the availability of funds, without penalty, to meet sudden financial needs.

## **Review your cash reserve periodically**

Your personal and financial circumstances change often--a new child comes along, an aging parent becomes more dependent, or a larger home brings increased expenses. Because your cash reserve is the first line of protection against financial devastation, you should review it annually to make sure that it fits your current needs.

## **I can't pay my bills. Should I declare bankruptcy?**

### **Question:**

I can't pay my bills. Should I declare bankruptcy?

### **Answer:**

If you're unable to meet your financial obligations, you should investigate a number of options before considering bankruptcy. If your income has been reduced (e.g., because of illness or unemployment), you might consider cutting down on your monthly expenses, taking advantage of unemployment and public assistance, and liquidating assets. Another option is to restructure your debts. Debt restructuring involves negotiating new repayment terms with creditors so you can meet your monthly expenses and pay off your debts within a reasonable amount of time.

You should consider hiring a professional credit counselor to assist you in restructuring your debts. Professional credit counselors will contact your creditors and attempt to negotiate affordable repayment terms for you. If you can't afford to hire a credit counselor, you may find help at your local Consumer Credit Counseling Service (CCCS) office or other nonprofit credit counseling service. These nonprofit companies provide basically the same services as a professional credit counselor but at little or no cost to you. Hiring a credit counselor now will help you even if you decide to declare bankruptcy later, because you may need to submit a certificate to the bankruptcy court that states you've received a briefing from an approved credit counselor in the six-month period prior to filing.

If you decide that bankruptcy is your only option, you may file for personal bankruptcy under Chapter 7 or Chapter 13. Chapter 7 bankruptcy can remove obligations to repay certain outstanding debts but requires you to liquidate certain assets and use the proceeds to pay creditors. You can only file under Chapter 7 if you pass an income eligibility test. Otherwise, you must file under Chapter 13 for relief, which institutes a payment plan to repay creditors over a three- or five-year period. A bankruptcy attorney can help you sort out your options.

## **I'm getting laid off. How am I going to survive financially until I find another job?**

### **Question:**

I'm getting laid off. How am I going to survive financially until I find another job?

## **Answer:**

There are a number of ways you can smooth the transition to your next job. To begin, you'll want to plan on your job search taking six months and budget accordingly. Your budget should reflect the money you'll need to use while looking for your new position.

Because you're being laid off, you may be eligible for unemployment benefits from your state as well as severance pay from your employer. If you have an emergency reserve set up, you can count on that, as well. Otherwise, you might have to dip into your savings account. You can consider taking a part-time job to supplement your income. If your search takes longer than expected, you may have to consider more radical ways to come up with income, such as borrowing against a life insurance policy that has cash value, borrowing from relatives, or withdrawing money from a tax-deferred retirement account. Each way has its drawbacks, but you'll want to be particularly careful with retirement accounts because you may incur fees and penalties.

Review your budget to identify where you can lower or perhaps cut out expenses for entertainment, dining out, and vacation or holiday travel, for example. You can also reduce expenses in small ways that add up: cancel magazine subscriptions, eliminate extra phone services, and stop your cable service. Negotiate with your creditors to lower interest rates or receive temporary deferments, and review your car insurance policies to increase your deductibles or drop certain coverage's.

If you have time to prepare for unemployment, you can take some steps immediately to help yourself. A home equity line of credit can give you funds to draw on (though you'll have to make monthly payments) and may allow you to pay off credit card loans with higher interest rates. You can reduce or stop contributions to retirement or education funds and put the extra money into your emergency funds. Finally, you can also consider increasing your withholding allowances to reduce the amount taken from your paycheck.