

What to Do When Your Paychecks Stop

Attend to your head and your heart before you deal with your wallet



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Whether you are expecting it or not, and whatever its cause, job loss can be devastating. You may think you have prepared yourself as best you can, but job loss can hit like a death in the family. It represents more than a loss of a paycheck. It's a loss of a way of life as well. The first step in getting back on track is to recognize the emotional blow you've taken.

Family Ties

You're embarrassed. Perhaps depressed. But you shouldn't feel as though you're alone. Your first instinct might be to withhold the worst news from your kids or even your spouse. Don't. If they don't get the bad news from you, they'll get rumor and innuendo from someone else. Enlist them. Encourage their cooperation. Use them. Make it a family matter. That's mission critical. Let them take some of the emotional and financial load off of your shoulders. Get the whole family involved in expenses and income. Maybe the kids can get by without new Nikes for a while. Perhaps they can contribute through a part time job. You can only imagine how good that will make them feel.

Expenses

In terms of finances, consumption is the big problem. You have to take control of where the money is going. Do a 12 month reconciliation of your checkbook. Make a retrospective budget to figure out where the money went. Then make a new budget based on your current reality. There are some priorities. Pay your health insurance. Pay your mortgage. First though, talk to your lender. There may be a forbearance provision that allows you to skip a payment or two. Make a new and revised budget to get you where you're going. Cut down expense as much as possible. Maybe you could cancel the cable television service, for example. Or take your trash to the landfill rather than paying a hauler to do it for you. And stop making credit card purchases. You may need to use your credit card to pay your mortgage or your health insurance at some point.

Income And Resources

Take your financial pulse. Figure out exactly what financial resources you have. Sit down with your family and fill out worksheets for cash flow and net worth. Plan to make optimal use of your resources, for example, stock options and pension

plans. Investigate new paths available to you such as COBRA medical health insurance coverage. Decide which course corrections you need to make and make them immediately. But don't do anything rash. Do not, for example, rush to cash in your 401k. It might be possible to cash in your 401k without penalties if you apply for a hardship withdrawal, but that should not be done without consulting with your financial advisor. In fact, an advisor can help you create a plan based on your individual situation. Next, swallow your pride. Accept the idea that you might have to take a menial job for a few months until you can right the ship. Remember your job does not define who you are. It's only what you do.

Improve Yourself

In some circumstances, for example, a plant closing, your employer may require that you stay until the bitter end to earn your full pension. In this case, you must decide if it's worth keeping yourself out of the job market, or if you want to jump right in. If you do, put together a job search strategy and stick with it. It should be as serious and regimented as any job. As part of your search, consider which types of workers are in demand in your area and retrain as necessary to fit yourself into that group.

Stay Positive

Don't be an ostrich. If your head is in the sand, you don't know what the outcome will be. Do not ignore your bills. Many people deal with fear, anxiety and depression by not facing reality. Instead of leaving your bills unopened, be proactive. Call your creditors. Explain your situation. They may offer you some relief. Consider a non-profit credit counselor, but only as a next-to-last resort. Making an agreement with a counselor will lock you into a long-term agreement that might not suit you in the future. Form or join a support group. Even if it's just a coffee klatch where you can complain, scheme and shed some tears in your tea.

Whether you've just lost your job, or face the prospect of losing your employment sometime in the future, call us. We'll do all we can to help you prepare your finances.

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