

Managing Your Finances During Job Loss

Turn to page 2 to see how you can plan financial matters while looking for work.

Coping with an Unemployed Partner

Consider these tips to lessen the stress during job loss.

Welcome!

This quarter's theme is financial stress during tough times. We welcome your feedback at ask@lifesolutionsforyou.com.

DidUknow?

Every state is required to provide career assistance for free. In Pennsylvania, CareerLink is located in every county and is open to the public. You do not even have to be unemployed to use the service. CareerLink offers career assistance or vocational rehabilitation services. CareerLink enables you to search for job openings, create a resume, apply for jobs online, research career information, and request vocational rehabilitation services.

Unemployment resources are available online! See these helpful links below:

- ◆ Pennsylvania CareerLink: www.cwds.state.pa.us
- ◆ United States Department of Labor: www.dol.gov
- ◆ Unemployment Insurance: www.dol.gov/dol/topic/unemployment-insurance
- ◆ Protecting Pension & Healthcare Benefits After Job Loss: www.dol.gov/ebsa/publications/protecting-benefits.html
- ◆ Employment & Training Assistance: www.doleta.gov

Source: Pennsylvania CareerLink www.cwds.state.pa.us

The Do's and Don'ts: Coping with an Unemployed Partner

Job loss is a stressful life event for both you and your unemployed partner. Among the identified stressors are heightened anxiety levels; financial compromises, especially if you were living from pay check to pay check; and an uncertain future.

Tips to help you cope are listed below:

- ◆ **Communication.** Keeping the lines of communication open is very important to understanding each other's emotions. Discuss your fears, stresses, and whatever emotions you are experiencing during this time. When you share your emotions, each of you will know how the other is feeling. This knowledge should help you work through this period of unemployment in a positive way.
- ◆ **Plan.** Sit down and create a budget; then stick with it! Discuss and agree on cutting out the extras — decide what you can do without. If possible, budget a night out every two weeks or once a month, so you can step away from the stress of job searching.
- ◆ **Connect.** Take the time to connect with each other by stepping away from your daily routine and job search. If the budget does not allow for a night out, you can simply go for a walk or hike. This provides an opportunity to relax and just talk about what is going on in your lives.
- ◆ **Self-Care.** As your partner experiences the emotional turmoil of unemployment, it is also important to take care of yourself. Exercise, take time out to relax, and eat right. These steps can contribute to being positive and supportive to your partner during this tough time.
- ◆ **Encourage.** Help remind your partner of his/her strengths and qualities to help boost confidence.
- ◆ **Open-minded.** Keep an open mind during the job search. Your partner may want to change careers, search for jobs outside of your region, or take a temporary job until something else comes along.
- ◆ **Resist Offering Your Opinion.** You may not know the situation or the political angle your partner is working on so resist saying how you think your partner should perform a job search.
- ◆ **Resist Giving the Third Degree.** Resist asking for every detail of your partner's day. This will only enhance the frustration and depression, especially if the progress is slow and not encouraging. Instead ask for the highlights or feelings about the job search. Show support and empathize if there was no progress.
- ◆ **Tell the Kids.** Explain the situation to your children in age-appropriate terms. Explain certain activities will need to be on hold, but tell them they can help with planning inexpensive family activities (e.g., going to the park, family fun night with board games, etc.).

To use our WorkLife Resource Center, e-mail or call us for your company code:
ask@lifesolutionsforyou.com
1.800.647.3327
www.lifesolutionsforyou.com

LifeSolutions is a confidential workplace benefit available at no cost to you and members of your household.

Financial Steps You Can Take While Looking for Work

Promptly File for Unemployment Insurance. Not all workers are entitled to unemployment insurance. To help qualify, you'll want your employer to confirm you were laid off, not fired for cause, and that you did not resign.

Handle Severance Package with Care. Your employer may offer a severance package, probably before you are dismissed. This package typically extends salary and, perhaps, benefits for a certain dollar amount or period of time.

Don't Sign Until You Take It Home. Most experts recommend that you get any offer in writing and don't sign it immediately. Take it home and review it closely.

Review Your Employee Handbook. See what benefits are promised to departing employees. Make sure the company pays you for unused vacation or compensation time.

Maintain Health Insurance. Incurring major medical bills without insurance would be financially disastrous. Consider these options:

- ◆ See if your former employer will continue coverage for you.
- ◆ Convert benefits under the employer's group plan to an individual policy.
- ◆ Switch to a working spouse's plan. Typically, you have 30 days to make this change because a job loss is considered a "qualifying event" that allows your spouse to add you to his or her plan.
- ◆ Obtain private coverage.
- ◆ Continue employer group coverage through COBRA.

Continue Life and Disability Insurance. You may be able to convert a group term life insurance or disability policy at work to individual coverage. You'll have to pay the premiums but it's important to continue these types of insurance.

Develop an Emergency Spending Plan. Establish a spending plan or revise an existing plan.

Start with Sources of Income. What can you realistically count on for the coming months? Sources might include severance pay, unemployment benefits (which are taxable), funds from an emergency cash account, a working spouse's income, or temporary work.

List Expenses. List expenses in order of priority: mortgage or rent, groceries, utilities, car payments, transportation, insurance premiums, clothing, and so on, down to the least important discretionary items.

Talk to Your Family. Tell children or other family members who depend on you financially how the job loss will affect family spending. Ask them for budgeting suggestions.

Consider Government or Private Assistance. After reducing expenses, you may find that you still don't have enough financial resources for subsistence. You may qualify for help from government or private agencies to tide you over until you find sufficient work.

Retirement Plan Assets

Avoid Dipping into Your Retirement Funds. A job loss is usually temporary, while your eventual retirement may last 20 or even 30 years. Pulling out tax-deferred

funds to pay for today's bills is shortsighted for several reasons unless you've exhausted all reasonable alternatives.

Make Retirement Plan Decisions. Losing a job will likely force you to make some crucial decisions regarding any retirement account you had at your former employer, such as a 401(k), 403(b), or other qualified plan.

Avoid a Cash-Out if You Can. Taxes and penalties may apply to distributions that you take from your retirement plans before retirement age. These could reduce much of that withdrawal and you will be draining your future nest egg. If you have exhausted all other sources and still need to cash out some or all of your funds to help pay for living expenses during this difficult time, make sure you work with a tax/financial advisor and plan accordingly.

Roll It Over. If you can't stay in the existing plan, consider rolling the assets into an IRA to prevent taxation and allow continued tax-deferred earning. You may later be able to roll the assets into a new employer's plan if you desire.

Stay in the Plan. You won't be able to contribute to the plan any longer, but you also won't face any income tax or penalties on withdrawals if you keep your assets in the plan, though most companies will probably require a default on any loan balance, meaning any outstanding balance will be treated as a distribution from the plan and taxed accordingly. One last benefit to remaining in the plan is that qualified retirement plan assets are protected from creditors under federal law, while not all states fully protect IRA assets from creditors.

Avoid Short-term Investment Decisions. In tough times, the temptation is to become more conservative with investments. Some movement into more liquid assets and cash may be called for if you are going to need them in the short-term to live on, but if you have an emergency fund, you may want to stay the course with your retirement plan investments.

When Debt Becomes a Burden. You may find debts accumulating faster than you can pay them off, particularly if you are out of work for an extended time. Here are some steps to help alleviate that burden:

- ◆ Try to further reduce expenses.
- ◆ Don't accumulate any additional debt if possible. Minimize or avoid using credit cards.
- ◆ Contact creditors to see if you can reduce or defer payments briefly, extend the payment period, or refinance.
- ◆ Consolidate debts — carefully. Don't transfer lower-interest debt to a higher-interest consolidation loan.
- ◆ Consider tapping the equity in your home to pay off credit cards and cars, since the rates may be lower and the interest paid is usually deductible.
- ◆ Avoid filing for bankruptcy. Filing for bankruptcy should be viewed as a last resort.

Source: Financial Planning Association (FPA) ©2011