

FINANCIAL PLANNING FOR LIFE AFTER LAYOFF

There is nothing worse than the feeling of losing your job. For some a job defines their life and the role they play in their circle of acquaintances.

There is probably not one person living in the Bay Area who hasn't been or doesn't know someone who's been affected by the economic crisis currently gripping the US. Perhaps you have even been directly affected. A job loss is a devastating blow, both financially and emotionally. Unfortunately, life after layoff still goes on, and in order to be prepared mentally to find a new job, you need to make sure that your financial outlook is taken care of to ease the stress and allow you to deal with getting your life back in order. When economic times are tough and job security comes into question, there are a few things you should do to weather the financial storm.

1. Take a hard look at your budget. When your sources of income have decreased dramatically, something on the other side of the equation (i.e. expenses) has to give. Create a household budget that accounts for both the best-case and worst-case scenarios. Decide what you would do in the worst case, so you at least have the comfort of a backup plan. Crunching the numbers will also give you a clear idea of where you can cut back on discretionary spending, of whether you need to take a part-time job in the interim to meet your living needs, and of how long you can realistically go without employment. In addition it is crucial that everyone in your family buys into the plan to ensure success. In fact have them be a part of the budgeting process so that everybody understands the financial situation you face.
2. If the worst does happen and you find yourself without a job, file for unemployment right away because it can take some time for benefits to begin. Unemployment will not fully replace your salary, but is rather intended to ensure that at least some of life's necessities such as food, shelter and clothing can be met while looking for work. To qualify, you will need to prove that you are unemployed through no fault of your own and that you're actively looking for a job. Each state has different rules and payouts, but benefits typically last for no more than 26 weeks (for more information, go to <http://www.edd.ca.gov/>).
3. Unfortunately, unemployment can also mean the loss of benefits, such as healthcare. Though income may be decreased, skimping on health insurance could prove detrimental, because if something happened and you suddenly had high medical bills, you'd be in an even worse position. Some companies may fund your insurance during your severance period; others may cut you off right away. If you lose your benefits, you may be able to keep your coverage under [COBRA](#), the federal law that allows unemployed workers to maintain their group health insurance, usually for up to 18 months. You'll pay the whole premium (including the share once paid by your employer), plus a 2% administrative fee. Although COBRA may be right for you -- especially if you're pregnant or have some other preexisting condition that may disqualify you from attaining insurance from other providers -- it is a very costly option. Fortunately, it's not the only option available. If possible switching to your spouse's benefits is another alternative. An even better option over COBRA is to look into short-term coverage, a high-deductible policy or other individual health insurance, which you can price compare and find the right type of coverage within your means to afford.
4. When you separate from your company, don't forget to take your retirement account (i.e. 401(k), 403(b), etc.) with you. Layoffs aside, odds are that you will work in more than one place in your lifetime, and usually each job will have provided a retirement account. To make it easier to manage these assets, consolidating them by rolling the accounts into a single IRA is the way to go. Moreover, IRAs will offer you a wider variety of investment vehicles over which to diversify your money, while 401(k) and similar accounts usually have limited investment options.

5. Life insurance is another company benefit that may disappear upon a layoff. Cheaper term policies would probably be available outside of your employer, but the question of whether to continue any life insurance policy comes down to whether your new budget can afford the premiums. Crunch the numbers and decide on a case-by-case basis.


If you are still employed but are worried about your job outlook, there are a couple of things I would recommend that will put you in a better position should the worst happen.

1. First and most important is to make sure you stash some cash away just in case you are laid off. Having an emergency fund is a necessity at any time, but especially if your job prospects are precarious. This is money that will be used to tide you over until you can find a more secure income source (i.e. another job). Emergency funds should be enough to cover at least 3 to 6 months of your essential expenses.
2. While you're still employed is the time to pay down debt, especially anything that has a high or variable interest rate (i.e. credit cards). Moreover, if you own a home and your mortgage has an adjustable rate, you should definitely see if you can refinance into a fixed rate. This way, should the worst actually happen, your mortgage payment will be a fixed expense and you won't have to worry about it adjusting higher than you can afford to pay while you are unemployed.

Life after layoff is no rosy picnic. People have so much to worry about with regards to trying to find another job – updating resumes, networking and making sure that their skills stay marketable. However if you take some time to tend to the financial details first and get them done, you will be in a much better frame of mind when you start your new job search.

Financial Perspectives was founded in 2000 by Charles “Chuck” Gibson—a CERTIFIED FINANCIAL PLANNER™ certificant, Accredited Asset Management Specialist, and Chartered Retirement Plans Specialist—who has worked in the financial advisory industry since 1994. With more than \$40 million in assets currently under management*, Chuck and his staff have advised hundreds of individuals, businesses, and other organizations, helping them establish sound investment strategies by providing informed, objective financial planning and asset management advice.

*As of 12/31/2008. Dollar value of assets under management at any given time can and does fluctuate according to current market values, economic conditions, etc.

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Financial Perspectives

Newark Office

Suite 315
39899 Balentine Drive
Newark, CA 94560-5359

San Ramon Office

Suite 100
2010 Crow Canyon Place
San Ramon, CA 94583

Tel: (510) 651-7054
Toll free: (877) 651-7054
Fax: (510) 651-2009