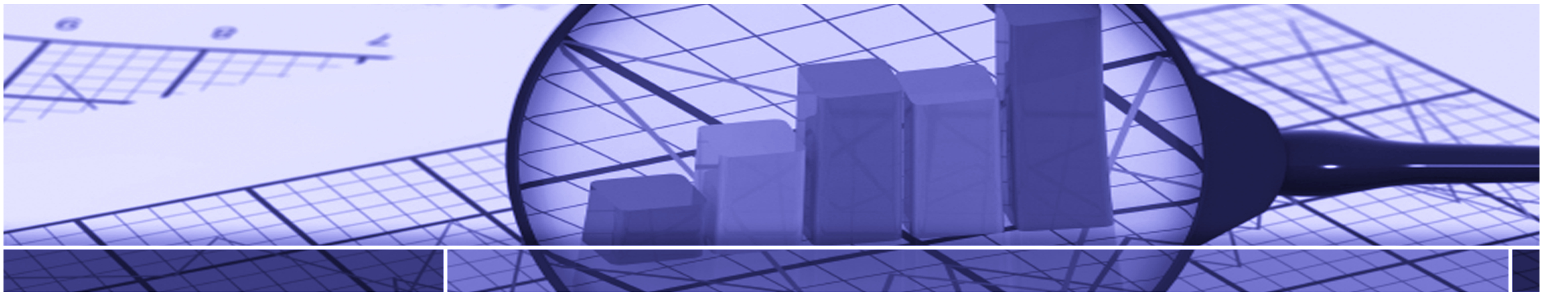

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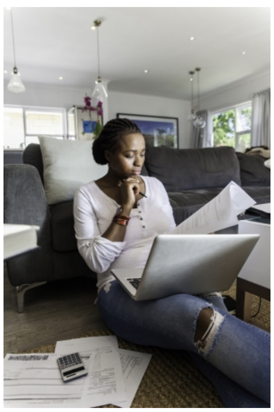
RAYMOND JAMES®

Financial Survival After a Job Loss



A job loss is not the end of the world, even though it may feel that way. Mapping out your priorities and drafting a bare-bones budget can help you come up with your own financial strategy for job loss survival.

You may have lost your job already, or it's something you're concerned about. Either way, the keys to surviving a job loss financially are to plan ahead, take stock of your income, and cut your expenses.

Plan ahead

If you haven't been laid off, it's a good idea to plan ahead for that possibility. It's hard to know how long you'll be out of work, so to be on the safe side, prepare for at least six months of unemployment. You might find a job much sooner, but you don't want to be forced to take the first opportunity that comes along, especially if it isn't suitable.

Come up with a financial plan for unemployment, and design your plan with some flexibility to allow for adjustments if your situation changes. Circumstances can vary based on how long you're out of work, and whether unanticipated expenses arise while you're unemployed.

Prepare a survival budget

A big part of your unemployment plan is a survival budget. Start with a list of all your income and expenses. You might already have a budget that you can use as a base, but your survival budget should be a bare-bones version of your regular budget. Include only expenses that are necessary. The goal of your survival budget is to have a good idea of what income you need to actually survive.

Your plan also should include an emergency fund that's equal to at least six months of living expenses from which you can draw to supplement other sources of income. If you haven't set up an emergency fund, you may still have time to do so. You'll be amazed how fast you can deplete your regular savings if your unemployment lasts more than a couple of weeks.

If you lose your job, find some income

Start by checking with your former employer. Are you eligible for severance pay? Whether it's available depends on your employer's policy, but if you're offered severance pay, you might have the option of taking it in a lump sum or as a continuation of salary for a fixed period of time. Taking severance pay in a lump sum gives you control over your money, but you may lose some employee benefits such as group health insurance. If you take your severance as a continuation of salary, you may be able to keep your benefits, but you'll be dependant on your former employer's ability to make payments to you.

But don't stop there. Check with your local unemployment office to find out if you're eligible for unemployment benefits. You can receive at least 26 weeks of benefits (more in some cases). Generally, to qualify for unemployment benefits you must have been laid off. You may even qualify if you've been fired, so long as it's not for misconduct. You probably won't qualify if you quit your job, however.

Reduce your expenses

If you're unemployed, you may find that your income won't support your current expenses. Aside from reducing your debt by selling big-ticket items like your car or house, there are other things you can do to minimize your living expenses.

One of your first considerations should be to identify and discontinue discretionary expenses. Such items as magazine subscriptions, health club memberships, extra phone services, credit cards you don't use that have an annual fee, dining out regularly, and extra pay services on your cable television are examples of some of the expenses you can trim from your budget. You also may have to put off that planned vacation until you're back on your "working" feet.

Talk with your creditors

Another way to cut your expenses is to try negotiating with your creditors to lower interest rates on your credit cards, defer a payment or two on your car loan, or reduce your monthly payments temporarily. You also may be able to lower your home mortgage monthly payments by refinancing to a lower rate (if you can qualify in spite of your job loss), or by negotiating a longer repayment period. You'll have to admit that you're facing some financial difficulty due to your job loss, but if your credit is good, now's the time to make the calls--not when you fall behind in your payments.

Along those same lines, check with your mortgage company or credit card companies or look at your billing statements to find out if you have credit insurance. Credit insurance will make your bill payments when you're unemployed. However, you may have to wait a while before receiving benefits.

While technically not an expense, you can also decrease your spending by reducing your contributions to retirement or education funds. However, the less you contribute now, the less you'll have for retirement or college, so this option should be a last resort. But you might be able to make up for the reduction in contributions by increasing payments to those funds when you're back on your feet financially.

Increase your income

You've cut your expenses and spending as much as possible, but you still don't have enough income. Here are some ideas that might help you meet your expenses while unemployed.

Consider a part-time or temporary job. This will provide another source of supplementary income while you search for your next full-time job. And your part-time job could turn out to be your next full-time job--or at least it might lead to another opportunity with another potential employer. Also, your spouse or partner may be able to get a job if he or she is not already working, or pick up more hours at a present job.

Another income-generating option is borrowing from the cash value of your life insurance policies. But you'll be limited as to how much you can borrow by the amount of cash available and other policy restrictions. And you'll be charged interest on the borrowed funds, so if you don't repay the loan, it can reduce your death benefit or even cause the insurance to lapse.

If you're really strapped

Your home is another source of savings you may be able to tap into. If you have enough equity in your home, sometimes you can obtain a home equity line of credit even if you've lost your job. You'll only pay interest on the portion you use. But you'll still have to make a monthly payment, so make sure you're able to afford the new loan payments before you put your house on the line.

If you're still strapped for cash, consider withdrawing from your tax-deferred retirement accounts, such as your IRA or employer-sponsored retirement Any money you withdraw from these types of accounts likely will be taxed as ordinary income for the year in which you make the withdrawal. Also, you may have to pay a 10% penalty tax for early withdrawal if you're under age 59½ unless an exception to the penalty applies.

Tip: *If you're 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 part of the withdrawal from your traditional IRA or employer's retirement plan represents nondeductible contributions, you may not be taxed on that portion of the withdrawal.*

If all else fails

If money really starts getting tight, be prepared to take more drastic steps. You might consider moving from your home and renting it temporarily. Obviously you'd have to find cheaper alternative housing, but the rental income from your home may be enough to cover your rental expenses while your tenants pay for most of the home costs, such as utilities and even real estate taxes. However, any decision you make in this area should be made with careful consideration, and only after evaluating how much you can actually get out of the deal.

As a last resort, you may have to consider selling bigger items like your car or even your home. Since these larger possessions usually carry a debt, by selling them you're not only generating some cash, but you're decreasing your expenses by ridding yourself of the debt attached to the item sold.

All is not lost

A job loss is not the end of the world, even though it may feel that way. Mapping out your priorities and drafting a bare-bones budget can help you come up with your own financial strategy for job loss survival.