

## PREPARING FOR A LAYOFF – FINANCIAL CONSIDERATIONS

Regardless of why you are being laid off, the result is the same. You are temporarily unemployed. Being laid off can be traumatic and stressful, challenging to your self-worth and role as provider for your family. But with some preparation and smart planning, you can lessen the impact and be able to transition more easily to the next chapter of your life.

Here are some things to keep in mind:

**Being laid off is typically experienced as a loss.** It's important to recognize there often needs to be a grieving process. Psychologists have identified a common process that individuals typically experience after being laid off, involving five steps. The five steps usually occur in this order: denial, anger, sadness, bargaining and acceptance. Becoming aware that these feelings will emerge can be empowering. Once you recognize the steps and accept and work through them, you can get yourself to the last step, acceptance, as quickly as possible. This will allow you to be in the strongest position emotionally to pursue a job search and make the changes necessary to keep your financial house in order.

**Organize your job-hunting strategy.** When you are ready to take on the challenge, focus on finding your next employer. Even though it may involve some expense, consider working with a professional to update your resume. That "expense" should be considered an investment that can pay back many dividends! In addition, consider job-hunting strategies such as:

- Search help wanted ads in the newspaper on the Internet.
- Register with employment recruiters.
- Advise friends and acquaintances that you are now in the job market.
- Register with the state employment service.
- Register with local college placement offices.
- Contact professional associations you belong to and ask about job placement services. Attend meetings so you may network.
- Post your resume online.
- Contact employers that may not be actively recruiting right now, but may in the near future.

**Prepare a spending plan.** No matter the amount of money in your "rainy day" fund, complete a review of your monthly expenses at your earliest opportunity. This is important to allow you to trim all unnecessary expenses to make the most of your resources until your next job offer. Prepare a spending plan for the next 6-12 months. Plan on making only the minimum payment each month on credit cards, etc. to conserve financial assets.

## **How to Establish a Spending Plan**

The following suggestions are helpful in preparing your spending plan worksheet and establishing a successful spending plan:

**Use a separate budget for each month.** Monthly expenses can fluctuate. To anticipate future monthly expenses:

- Review pay-stubs, tax returns, credit card bills, check books and other financial records.
- Keep accurate records; plan for at least six months.
- Review your total spending each month and compare it to your yearly plan.

This will give you an idea of where you are headed and how well you are following your overall financial plan, especially during the first few months when you are trying to develop a workable spending plan.

**List all expenses and all uses of cash.** Account for all cash and credit spending in your plan. You may be surprised at the amount of cash you are unable to account for. Cash includes ATM cash, grocery store cash back, bank deposit cash back, and credit card charges. Categorize all expenditures, i.e., how much was spent on food, entertainment, restaurants, etc.

**Discuss your spending plan with family members.** How will money be spent? Who is responsible for bill paying and record keeping? One or both family members need to become responsible for financial planning. Families often encounter problems when *no one* assumes responsibility for the overall plan. Limits on spending for each category must be agreed to and a commitment made to stay within these limits.

Determine your family's most important goals. Allocate money to those items that will help you achieve your goals, the family's welfare, and the family's overall happiness. Shared family goals provide a greater incentive. It's much easier to forego a dinner and show or new clothes when you know another more important dream moves closer to realization.

## **Judging your spending plan**

Compare your income with your expenses for the current month. If expenses exceed income, review your plan again. Which expenses can you eliminate? Review flexible expenses when you want to trim expenditures. For example:

- Can you cancel book club memberships or magazine subscriptions?
- Can you reduce the number of restaurant visits?
- Can you survive without a house cleaning service?
- Can you reduce your dry cleaning expense?

### **Once flexible expenses are trimmed, reduce your fixed expenses:**

- Can you move to a more affordable residence?
- Are you driving more car than you can afford?
- Cheaper transportation means lower premium. Have you reviewed your insurance lately? That is usually big savings.

If you find you are falling behind in your payments, prioritize your bills with the mortgage or rent payment taking priority. Next, utilities and food, then car payments, and lastly, credit card or other installment debt that is *unsecured*. Unsecured debt is the type that would not result in foreclosure or repossession of property if you were to default.

Don't wait until you fall behind to contact your lenders. As soon as you lose your job, talk with them. Some may offer to reduce your minimum payments until you're employed again.

### **HEALTH INSURANCE**

Once you leave your job, you typically have five choices on health insurance coverage: continue on your current group plan and pay the premiums yourself through COBRA benefits (see below), enroll in your spouse's plan, buy a different plan from a private carrier, use a state-sponsored plan or go without.

#### **COBRA Benefits**

COBRA is an acronym for Consolidated Omnibus Budget Reconciliation Act. COBRA is a federal law that allows group health care coverage to continue after the employee has left their job. However, the employee is now responsible for the *entire* monthly premium for their health insurance, which previously was covered in part by their employer. So, the good news is that the employee enjoys seamless health care benefits (usually for 18 months) even though they leave their employer. However the cost of that option is somewhat pricey considering that the employee's family income was just dramatically reduced and the employee is now covering the entire premium.

#### **Your Spouse's Plan**

This may not be the answer for each employee. The important thing to do is compare the cost and coverage to what you would have with your own COBRA plan. One advantage is that if you're moving from one group plan directly to your spouse's plan, you can't be denied for a pre-existing health condition, such as pregnancy.

#### **Buying Your Own Coverage**

If you and your family members do not have any pre-existing medical conditions that may make it difficult to get other coverage, it may be worth your while to shop for a plan that you purchase on your own. Surprisingly, the premium for a plan you purchase yourself could be cheaper than the premium for COBRA benefits.

Once the employee finds out the premium for COBRA, it would be wise to compare the rates for a health plan to cover their family they would buy themselves. A good place to conduct a comparison would be at the website, [www.ehealthinsurance.com](http://www.ehealthinsurance.com). Their phone number is (800) 977-8860 to talk to an agent directly.

There are common circumstances when a person would want to elect COBRA benefits. If you or a family member has a pre-existing condition, a new medical plan can exclude you from coverage for that pre-existing condition for six months to a year if you cannot prove that you have had continuous medical coverage. Many carriers consider you or a family member to have a pre-existing condition if you answer YES to one or more of the following questions:

1. Are you (or any person to be insured) either pregnant or an expectant father?
2. Have you (or any person to be insured) received any medical consultation or treatment within the last 3 years for: heart disease, diabetes, cancer, immune system disorders, or any other serious medical condition?
3. Have you (or any person to be insured) been declined for health insurance due to medical reasons within the last 5 years?

If you or a covered family member can answer YES to any of the above questions, it is still worthwhile to check with an insurer for coverage and to compare premiums. Different insurance companies (and states) have varying policies as to whether they will issue a new health policy for people with these situations.

### **State-Sponsored Programs**

You may wish to research some of the state-sponsored options available in your state. These state run high-risk insurance pools can be quite expensive, but may be appropriate if the person's medical history makes it impossible to obtain health insurance in the private market, and the person has exhausted their COBRA benefits. To learn more specific information for each state, go to [www.healthinsuranceinfo.net](http://www.healthinsuranceinfo.net), a site initiated by the Institute for Health Care Research and Policy, through Georgetown University.

Keep in mind that resolving the dilemma of unemployment is a process and hopefully one of short duration. Should you need assistance during this time to review your finances, retirement plan, or anything else that concerns you, do not hesitate to ***call your Employee Assistance Plan.***

**HealthPartners EAP: 866.326.7194**

