

TURNING POINTS ■



Surviving a Job Loss

Get Back in the Game After Losing a Job

BY NEIL BARTLETT

Questions

- I'm in pretty good shape financially. Can I just kick back for a while?
- What can I expect from my former employer?
- Will I qualify for unemployment?
- What financial steps should I take?
- How can I jumpstart my job search?
- What nontraditional job options do I have?



There's an old saying that if your neighbor loses his job, it's a recession; if you or someone in your household loses her job, it's a depression.

Losing your job is usually a traumatic event. The effects can be deep and lasting. They can touch every area of your life and those of your loved ones.

The major challenges when losing a job are to process what's happened, move ahead, and find new work. Common emotions are anger, depression, shock, disbelief, self-doubt, fear, and helplessness. You may experience an overwhelming sense of loss—of the job itself, your 'office family,' a network, your work identity, and your daily routine—not to mention the loss of income.

With loss of income comes financial uncertainty—how will you pay the mortgage and other bills? Should you wait for the perfect job, or should you grab any job in sight?

When you're out of a job, dealing with your financial situation can be a painful and frightening reality check. But it's a reality you need to confront—and if you do some things upfront, you're more likely to experience financial success in the long run. Not to mention achieving the peace of mind that will come from knowing where you stand and what you need to do.

I'm in pretty good shape financially. Can I just kick back for a while?

It's tempting to think looking for a new job is not urgent, especially if you have severance pay, liquid savings in your credit union accounts, or access to other money.

But experts say it's a temptation to avoid. Don't back off when you're laid off.

You need a sense of urgency about finding a new job. For one thing, you don't know how long you'll be out of work. "You have no guarantee that a new position will materialize any time soon," says Gail Cunningham, vice president of public relations for the National Foundation for Credit Counseling (NFCC), Silver Spring, Md.

A rule of thumb is to expect to job hunt one month for each \$10,000 of annual income you hope to replace. But if the economy—or your industry—is in sorry shape, it could take longer.

This underscores the need to establish an emergency cushion equal to several months' expenses while you're still working. If you still have a job, make this a priority, along with paying off credit card debt. "Not one person laid off regrets having a savings account," says Cunningham.

COBRA not best deal for many

COBRA is a federal law that lets many laid-off workers and their dependents remain on the former employer's group health plan for 18 months if they pay the full cost of coverage and a 2% administrative fee. Though it's an option, maintaining family health-care coverage after a job loss is too expensive for most families, according to a study by [Families USA, Washington, D.C.](#), a national nonprofit, nonpartisan organization dedicated to the achievement of high-quality, affordable health care for all Americans. The average monthly COBRA premium for family coverage (\$1,350) eats up a significant portion of a monthly unemployment check.

"If you're subsisting on an unemployment insurance check and [much] of that check is what's needed to continue family coverage, clearly it's unrealistic to expect you can afford to do that and still have money left for food and rent and utilities and other necessities," says Ron Pollack, executive director of the advocacy organization.

If COBRA doesn't sound like the best option for you and your family, consider buying individual health insurance for several months until you resume steady employment. You might find similar coverage at a lower cost by buying a policy through a [Patient Protection and Affordable Care Act](#) exchange.



On a classic episode of "Everybody Loves Raymond," Robert Barone falls on hard financial times. Robert's brother Ray presents him with a check for \$1,000 and Robert immediately decides to spend the money on a vacation.

Don't be Robert Barone. Under most circumstances, it's better to hit the streets. Save the vacation for another time. It's OK to take off a few days, but then it's time to get to work.

Decide that your task is to find a good job. Make that your full-time job.

What can I expect from my former employer?

If you've lost your job, the first thing to do is size up what resources you have. Find out what benefits and resources are available from your former employer. If there's any doubt, talk to someone in the HR (human resources) department.

■ **Severance package.** Many companies provide severance benefits. You need to know what you're entitled to. You might receive

pay for unused vacation and sick days, and possibly medical insurance at a low cost for a limited time. If you need to sign a legal release, first evaluate the offer thoroughly and then don't delay, because the package might be available for a limited time. You might consider having a lawyer specializing in labor law review before you sign.

Fully understand the terms of your separation and what conditions you must meet to receive your severance benefits.

Severance pay usually is calculated according to a formula based on length of service. You could qualify for an amount equal to one or two weeks of salary times the number of years you were employed, or for as much as a year's pay.

■ **Continuing benefits.** Be sure you understand what benefits you've received from your employer. For example, employers in about half the states are required by law to include unused vacation pay in an employee's final paycheck.

■ **COBRA** (named for The Consolidated Omnibus Budget Reconciliation Act). This federal law gives certain employees and

their families the right to continue their group health insurance, often for 18 to 36 months. You would pay for it and, while the premiums are typically steep, it's a benefit you should consider.

■ **Career help.** Some employers will provide assistance in outplacement and career transition services to help displaced workers find new positions. Take advantage of them. Outplacement services may include career

counseling, résumé development, interview coaching, networking, and job-search assistance.

Beyond severance pay: Negotiate other buyout package options

Some companies approach layoffs by offering an "out" to select employees, hoping to achieve staff reductions without having to make broader layoffs. Buyout offers are less likely during an economic or industry downturn.

When a buyout offer is available to you, remember that it often is payment for your cooperation. Your employer generally wants you to sign a contract that prevents you from taking legal action or competing with the company. Don't limit yourself to negotiating only for severance pay. Here are some other severance package items that might be negotiable:

■ **Less restrictive noncompete clause:** Try to get these removed or broadened. The language can be too narrow to let you use your experience to get another good job in your field.

■ **Pension:** If you're close to qualifying for a higher payout, negotiate to have your official termination date pushed back, even if you've already left the company. The company also may be able to calculate additional years of service into your pension benefit. The same is true with stock options or 401(k) plans in which you're close to becoming vested.

■ **Stock options and 401(k):** As with pensions, if you're close to a service

tenure or age at which higher benefits kick in, regulations may permit your employer to extend your official termination date.

■ **Life insurance:** Your inclusion in the group plan probably will end when you leave or when severance payments cease. Ask about a continuation plan that converts the coverage to an individual policy; it might be more expensive coverage than you could get elsewhere. Then again, if it doesn't require a health exam and your age or condition put you in a prohibitive premium group, this may be the only coverage you can afford.

■ **Health-plan continuation:** If the package doesn't include health coverage, it's reasonable to ask to stay on the employee health plan while you're receiving severance pay, or through the remaining calendar year.

■ **A positive letter of reference:** Even if your job performance did not contribute to a buyout, prospective employers might hold the layoff against you. If necessary, write a letter yourself or with the help of an attorney, and ask your employer to sign it.

Will I qualify for unemployment?

Even while receiving a severance package from your employer, you're entitled to unemployment benefits. It's important to apply right away, because there's often a lag between when you apply and when you receive your first check. Don't be uncomfortable about getting unemployment. You're entitled to the money—you paid into this fund when you were employed, and it's there for you once you've lost your job. Unemployment benefits won't replace your old salary—the amount varies based on your previous salary; benefits plateau when the previous salary reaches a state's maximum. [Research unemployment benefits](#) in your state.



What financial steps should I take?

■ **Take a financial snapshot.** Do you have money in savings? A 401(k) or 403(b)? Life insurance? If you don't know where you and your household stand financially, a layoff is a mandate to get up to speed. Tally your assets, and list your fixed and variable monthly expenses.

If you discover that what you have coming in doesn't match what's going out, you have several options. One is to sell some assets. Is there anything you are willing to give up, such as a boat or trailer you rarely use? An extra vehicle? Can you sell items on eBay or Craigslist?

■ Set priorities for your fixed payments.

The goal is to pay everyone, but experts say most important are car payments, mortgage or rent, utilities, child care, health care, and child support or alimony payments. Maintain at least minimum payments on any credit card accounts as long as you can to protect your credit rating; automate your payments so you don't risk incurring late fees or increased interest rates.

make a credit payment, contact the lender as soon as possible. The same is true with your mortgage payment. "The longer you wait, the fewer resolution options are open to you," says Cunningham.

Contact your credit union. The professionals are there to help. Don't wait until you're in deep trouble to ask for a financial checkup. In fact, the earlier you ask for a review, the better the outcome can be.



■ **Reduce household expenses.** Typical areas to cut include eating out, energy and fuel costs, and cell phone and other entertainment services.

But don't cut everything. "Cut back, not out," advises Cunningham. Instead of no cable, for example, you might switch to the basic package.

■ **Track spending.** Do this for a month, down to the penny—and have all family members participate. You'll be surprised at all the places the money's going, Cunningham says. Use what you learn from this step to create a spending plan to map your financial situation and make adjustments where necessary.

■ **Contact creditors.** If you're unable to

■ **Consider credit counseling.** Your credit union may have one-on-one financial counseling available. Or, the professionals there may refer you to a reliable group like the NFCC. The NFCC has nonprofit Consumer Credit Counseling Service (CCCS) affiliates around the country ready to help you get back on track from financial difficulty. To locate the nearest CCCS office, call 800-388-2227 or visit nfcc.org.

■ **Tell your household.** If you have children, don't hide the situation from them. At the same time, don't burden them with issues they can't control. For example, tell them that you will be eligible for unemployment benefits, but not that those benefits eventually will stop.

Kids are surprisingly adaptable to economic circumstances. It's a mistake to act like everything's normal by continuing to spend money on things you no longer can afford. Tell your children that many people lose or change jobs, and explain that you're looking for a new job.

■ **Put a tight leash on credit.** Theoretically, if you have a strong credit line, you could live on credit—for a while. But don't. There are too many unknowns. And because you don't have a steady income, credit may become harder to obtain.

Related to that, you need to protect your existing credit. The best way to start is by not charging.

Although the use of plastic may work in the short-term, experts caution against viewing credit cards as a long-term solution to cash-flow problems. Putting gas and groceries on credit is a slippery—and expensive—slope.

When you use credit to pay for daily items, you reserve limited cash for your mortgage payment. But if the economy and your job situation do not improve, your credit cards eventually get maxed out and, with no way left to bridge the income gap, your home could be foreclosed anyway. Talk to your mortgage lender and see if you can pay only interest for a time, or if other options are open to you until you get a new job.

■ **Switch to a credit union credit card.** Interest rates average about two percentage points lower than interest rates on bank cards, and have lower fees as well.

■ **Resist tapping in to your 401(k).** Withdrawing money from a 401(k) or other retirement account is a potential source of income but should be a last resort. For example, if you're in the 30% tax bracket and you withdraw \$10,000 from your tax-deferred account, you'll wind up with only \$6,000. That's because you'll pay about \$3,000 in regular income taxes—along with a federal penalty of 10% if you are younger

than 59 1/2.

Similarly, if you have a 401(k) loan at the time you are laid off, you must repay the loan within 60 days or the loan will be treated as an early distribution: You must pay regular income taxes along with the 10% penalty.

Also, if you withdraw money from a retirement savings account, you lose the benefit of compounding on the dollars you've withdrawn. You can lose thousands

of dollars or more over the years that the money could be compounding.

■ **Be cautious about opening a home equity line of credit.** Not only is it unwise to run up credit when you're between jobs, it's tough to qualify for a line of credit if you're unemployed.

If you have an existing line, you could tap into it if you'll be faithful about repaying it when you find a good full-time job. But if you go a long time without a job, running up a line of credit could jeopardize your home. Treat this as a last resort. Talk to a credit union loan officer for guidance.

■ **Assess all your insurance coverages.**

One key to acquiring the right insurance, in the right amount, is to identify the financial losses you could not recover from without help. For example, if you have a new car, it would be a big financial gulp to replace if it was totaled. If your car is many years old and the odometer reads in six figures, you can reassess collision coverage and save some money while doing so.

Revamp your résumé

If your résumé isn't up-to-date, career builder site Monster.com offers these suggestions:

■ **Research your target job.** Whether you're switching to a new position or a new field, thoroughly research your target industry by searching job postings online or in print. Look for recurring keywords and incorporate them into your résumé to match employers' needs. A custom résumé is more likely to land you an interview than a generic one.

■ **Focus on achievements rather than descriptions.** In today's job market, simply rehashing job descriptions won't impress hiring managers. Instead, use bulleted action verbs and phrases to express how you have helped employers. Be specific—use numbers, dollars amounts, percentages, and other quantitative measures to detail your accomplishments.

■ **Edit, cut, condense.** In the education section, experienced professionals can simply list their university and degree obtained—coursework, honors, and extracurricular activities are not necessary. Also, consider condensing work experience more than 10 years old into an "early career" section. Delete references to outdated technology. Remember, only give employers what they need; don't make them sift through useless outdated information.

■ **Start a "kudos" file.** Copy and file away all performance reviews, complimentary emails, and other congratulatory memos. Keep files of completed assignments, committees you join, accomplishments, and quantifiable results. Tracking your successes will help keep your résumé current.



How can I jumpstart my job search?

■ **Get the word out.** In addition to getting moving as soon as possible, the most important thing to do is communicate. Let everyone know you're looking for a job

■ **Network.** The more people who know you're looking for work, the better, and don't forget former co-workers.

Networking today means using social media and related online resources. If you don't already have and maintain an active LinkedIn account, get one up and running while you still are working.

The best way to find a new job still is through personal and professional contacts. Todd Mark, a spokesperson for Consumer Credit Counseling Service of Dallas, says job seekers have a much easier time job hunting

Getting help with emotions

It's not uncommon to experience strong and overwhelming emotions if you've been laid off. Professionals say losing your job is one of the most significant stressors.

A study in the [Journal of Occupational Health Psychology](#) reported that the loss of personal control is a factor leading to depression. That's just one reason it's important to get moving on the job search as soon as possible. But if you need help, don't wait. Contact your medical provider or local United Way for help. Ask your former employer if its employee assistance program is available to you and for how long. The worst thing you can do is suffer in silence.

How do you know if you can benefit from professional help? The American Psychological Association (APA) says:

- You feel trapped, like there's nowhere to turn.
- You worry excessively and can't concentrate.
- The way you feel affects your everyday life.

For more information, read [The Road to Resilience](#) from the APA.

if they keep current a copy of their contact database and personal files.

■ **Establish a daily routine.** The job hunt is your new job.

■ **Be flexible.** Finding new work will be easier if you are. For example, consider



alternatives to one traditional job, such as a couple of part-time jobs.

■ **Consider temp work,** especially if you need work now. "Some income is better than none at all, especially if you need it to keep you or your family financially stable," says the NFCC's Cunningham. "Don't make the mistake of holding out for your dream job or for a job with a salary that's unrealistic in the current economic environment." Besides bringing in some much-needed money, you can try to work on weeknights and weekends, leaving time for job hunting during the day. It also can be a good way to position yourself for a full-time job.

■ **Consider retraining or going back to**

school, especially if the hiring outlook in the field you came from is bleak. If you're deficient in a basic skill, many state employment services offer computer classes, for example.

Remember that perseverance and fortitude may be tough to measure, but they're indispensable if you're going to be successful in finding new work, especially if nothing breaks right away. Take some time for yourself, too. Find some balance, and keep your mind engaged by continuing to read publications related to your field of expertise as well as recreational sources.

What nontraditional job options do I have?

If you've been laid off and have not been successful finding a job, consider:

■ **Freelancing**—Use your talent and skills from your previous full-time job; work from home using those skills. Find out if there are businesses in your community that could benefit from your services. If your former employer now outsources work you previously did, consider asking if the employer is able to outsource from you.

■ **Opening your own business**—If you have a passion for what you were doing in your previous job, or if there is another job or skill you've always been interested in, now might be the time to consider opening your own business. There are many questions and considerations to look at if you think running your own business is something you could do. Another Turning Point, "Make the Move to Small-Business Ownership" (found via the *Home & Family Finance Resource Center's* front page), offers some guidance.

Useful resources

[Consumer Reports Health Law Helper](#)

Work Place Fairness, Your Rights: [Severance](#)

[How to Apply for Unemployment Insurance](#)

[Explore Career Options US Dept. of Labor](#)

[Affordable Care Act Gives Workers New Mobility](#)

[Keep Your Chin Up: How to Stay Positive During a Long Term Job Search](#)

[Job Loss and Your Taxes](#)