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ABSTRACT

This book is the sixth in a series of six pocket-sized books written for career changers and laid-off workers. Each book is written at a 7th- to 10th-grade reading level and contains examples, hands-on self-discovery exercises, and step-by-step advice for a successful job search. This book provides information on financial survival between jobs--budgeting, dealing with creditors, making money quickly, and keeping an upbeat attitude. Chapter 1 offers suggestions for dealing with job loss. Chapter 2 on risk explores assessing one's risk, calculating net worth and current ratio, and lifestyle versus peace of mind. Chapter 3 considers an unemployment timeline, troubleshooting, and making a budget. Chapter 4 describes a strategy for survival that includes reducing expenses, increasing income, and substitutes for medical insurance. Ten financial mistakes common to job seekers are listed. Chapter 5 discusses safeguards for the future--budgeting for the new job, setting lifetime financial goals, savings, and recognizing the danger signs of financial trouble. Chapter 6 offers suggestions for less expensive alternatives for vacations and travel, holidays and gift-giving, and entertaining. Other contents include a list of 7 national resource organizations for print resources and advice, a list of 10 helpful books for job seekers, and an index. (YLB)

Financial Survival between Jobs

Pocket Job Series No. 6

POCKET JOB SERIES

Financial Survival Between Jobs

Nº 6

Take Charge of Your Future!

PROTOTYPE CAREER PRESS

About the Author

Amy Lindgren is the founder and president of ProtoType Career Services, a 10-year-old firm specializing in laid-off workers and career-changers. ProtoType serves up to 2,000 people a year in workshops and individual sessions. Ms. Lindgren also trains other counselors in serving laid-off workers, and is the author of more than 300 published articles.

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INTRODUCTION

These are very uncertain times we live in. Cities are going bankrupt, companies and plants are closing, thousands of people a day are losing their jobs... there's no security for anyone it seems. Indeed, some experts predict we will all be changing jobs every five years, from now on. Many people already change jobs that often.

With so many job changes in your life, it can be very difficult to build your standard of living — or even keep up with the bills. Every job change puts a strain on the budget, especially when there's a period of unemployment between jobs. That's when people fall behind on their bills, making it even more difficult to catch up when they're re-hired.

If you would like to break this cycle, keep reading. In this book you will learn how to survive, and even prosper, during the ups and downs of today's economy. This is a workbook, so grab your calculator and a sharp pencil with an eraser.

Ready? Let's get started.

Chapter ONE

Dealing With Job Loss

You may be "between jobs" for any number of reasons. Perhaps you've recently moved to a new city, or graduated from school, or recovered from an illness. But most likely, you've lost your job due to cutbacks or company closures. If that's the case, you have some issues to deal with relating to the job loss.

When people lose their jobs, they also lose their sense of having a place in the world. Their daily routine is severely affected, their friendships and family life may suffer, and their self-confidence plummets.

Be careful! It is easy (and common) to make financial mistakes in the first weeks after a job loss. The following advice is the product of counseling sessions with thousands of people in situations like yours.

Seek professional advice -- For free or inexpensive advice, consult your state unemployment office, as well as a local office of Consumer Credit Counseling Services.

Attend a support group or job search club — Ask your unemployment office or place of worship about meetings.

Meet with your unemployment office — Be sure you understand all the benefits you are eligible for, including unemployment insurance and special training funds for laid-off workers.

Proceed slowly with big decisions — Take twice the time you normally would to make decisions about moving, selling your home, liquidating assets, or restructuring your debt. Above all, protect your cash reserve, even if it means being late with some bills. Don't worry about your credit rating — that can be repaired. But right now, you have no way to replace your cash once it's gone.

Beware of get-rich-quick schemes! — The recently unemployed are favorite targets for con artists. Be especially cautious of home-business ideas, multi-level or network marketing schemes, insurance and real estate sales, and franchise opportunities. If these are legitimate opportunities, they'll wait until after you've sought competent advice.

Severance pay — watch out! — Treat your severance as a cushion, not an income source. Put it in the bank immediately, then make your decisions in a few weeks or months when you're in a stronger frame of mind.

Take a break — In the first week after your job loss, settle the most pressing affairs. Then put everything on hold for a week or two while you take a vacation. Nothing fancy. Don't spend your savings or put the expenses on a credit card. Just get away for a while, perhaps to a friend's cabin, or a relative's house.

Even if you don't "feel" stressed, acknowledge that you are facing a difficult transition. You could use the break. Besides, you might not get a vacation for a long time after you're re-hired.

Chapter TWO

WHAT'S AT RISK?

Unemployment is a time of high financial risk. If you're not used to being out of work, you may not realize all the risks you face. Job loss is cited as the root of most mortgage foreclosures, repossessions, and bankruptcies in this country. That's not surprising. When you lose your income, it's natural to assume your possessions might be next.

What is surprising is how many of these losses are preventable. While there are no statistics for this, foreclosure specialists and credit advisors will tell you that many financial failures are the result of mismanagement, not income loss. In other words, it may not matter how much money you have. If you manage it poorly, you will never have enough.

Even good money managers are severely challenged by a sudden reduction in income. It's easy to get overwhelmed by your bills, or to wait too long to take action.

ASSESSING YOUR RISK

The first step is to assess your risk. What might you lose if this situation goes on too long? What steps could others take against you? It's scary to think in these terms, but you must if you are to survive this period of unemployment. Denial is never a good strategy when it comes to financial upheaval!

To assess your risk, you need to list your assets, their value, and the amount, if any, that you owe on them. An easy example is your house, if you own one. The value would be the amount you could get if you were to sell it this year. The amount owed against it would be your mortgage and any home equity loans you may have.

Following is a list of common assets. Use this as a guide to help compile your own list on the next page. *Remember: When giving a value for the asset, give its market value — what you would get if you resold it.*

ASSETS YOU MAY HAVE

___ House
___ Vacation home/cabin
___ Car
___ Truck
___ Van
___ Camper
___ Boat
___ Other recreational vehicle
___ Computer
___ Sports equipment
___ Hobby equipment
___ Stereo, t.v., video camera, VCR
___ Household furniture
___ Jewelry
___ Stocks
___ Bonds
___ IRA
___ Savings
___ Mutual fund
___ Pension
___ Life insurance

Assets

Item	Value	Amt. Owed
____________	$ ________	$ ________
____________	$ ________	$ ________
____________	$ ________	$ ________
____________	$ ________	$ ________
____________	$ ________	$ ________
____________	$ ________	$ ________
____________	$ ________	$ ________
____________	$ ________	$ ________
____________	$ ________	$ ________
____________	$ ________	$ ________
Total	$ ________	$ ________

Now review the list. Which of your assets are you willing to let go of? Which ones will you absolutely not part with? Use this method to rank your assets: Put a 1 next to the thing that is most important for you to keep (for example, your house). Then put a 2 by the next most important item, then a 3 by the next one, etc.

When you have ranked your assets, use a highlighter pen to underline the 5 most important items. These are the things you want to safeguard throughout your period of unemployment, no matter what else happens.

Now you must calculate what you need to do to protect these 5 assets. On the next page, write the asset, the monthly cost of the asset (ex: your mortgage. or car payment), and other expenses related to keeping the asset (such as insurance, taxes, etc.) Be sure to list all expenses in monthly amounts. For example, if your car insurance is $1,200 a year, record it here as $100 per month. If the asset is a savings account or other sum of money, there is no "cost" to keeping it. In that case, simply list it here and leave the other lines blank.

PRIORITY ASSETS

1. ______________________ $ ______/mo

Related Expenses: $ ______/mo

2. ______________________ $ ______/mo

Related Expenses: $ ______/mo

3. ______________________ $ ______/mo

Related Expenses: $ ______/mo

4. ______________________ $ ______/mo

Related Expenses: $ ______/mo

5. ______________________ $ ______/mo

Related Expenses: $ ______/mo

Totals: Assets $ ____________ /mo

Related Expenses $ ____________ /mo

TOTAL $ ____________ /month

When you have finished, total the two columns of figures and add them together. This is your priority expense figure — the amount of money you must earn each month if you are to keep these assets. It is not your total budget, however. We'll look at all your expenses in Chapter 3.

Rather, this exercise shows you your weak spots: assets you value, and which may be at risk during your period of unemployment.

CALCULATING YOUR NET WORTH

Let's look at these figures from another angle. Your personal net worth is the amount of money left over after liabilities (debts) are subtracted from assets. (i.e., Assets - Liabilities = Net Worth) This figure is often used by financial experts to determine your overall financial health. It is also useful as a way to gauge your progress over the years. A steady growth in net worth is a sign of financial advancement.

Interestingly enough, even people with low incomes can have a good net worth, if they're able to minimize debt while contributing to savings.

To determine your net worth, go back to your list of assets on page 9. Be sure the list is complete. Then add the figures in the first column. Write that figure here:

Total value of my current assets: $________

Now make a list if liabilities. These are amounts you owe to people. Do not include upcoming expenses for regular bills, such as food or gas utilities. But do list past due amounts for utilities, phone bills and housing. Also, list amounts for loans, tax payments, and child support judgments.

Remember to use the whole amount, not the monthly payment. For example, if your mortgage is $78,600, you would list that amount as your liability. Use the list below to help you think of all your liabilities.

Liabilities

Liability	Amount owed
Mortgage	$ ______
Home equity loan	$ ______
Mortgage, cabin	$ ______
Vehicle loan	$ ______
Student loan	$ ______
Loan from friend	$ ______
Unsecured loan	$ ______
Visa balance	$ ______
MasterCard balance	$ ______
Other credit cards (balances)	$ ______
	$ ______
	$ ______
Past due taxes	$ ______
Past due child support	$ ______
Past due phone bills	$ ______
Past due utilities	$ ______
Medical bill (balance)	$ ______
Legal bill (balance)	$ ______
	$ ______
	$ ______
	$ ______
Total	$ ______

Now subtract your liabilities from your assets.

	Assets:	$ ______________
-	Liabilities:	$ ______________
=	Net worth:	$ ______________

If this is a negative number, look out! You're already in trouble. You will need to take immediate measures to stabilize your financial position. When you have finished reading this book, call 1-800-388-2227 to find the Consumer Credit Counseling Office near you. Then make an appointment for low-cost, professional financial advice.

If your net worth is a positive amount, you have something to protect. You will want to maintain this figure if you can, and work to increase it.

CALCULATING YOUR CURRENT RATIO

Here's one more way to look at the relationship between your assets and liabilities.

Divide the total amount of liabilities by the total amount of assets to achieve your current ratio.

Example:

$$\frac{\$30{,}000 \text{ in liabilities}}{\$57{,}000 \text{ in assets}} = .52\ (52\%)$$

Now you try it:

Liabilities: $ ________ ÷

Assets: $ ________ =

Current Ratio: ________

The current ratio is yet another measure used to determine your overall financial health. As a rule of thumb, a current ratio of:

30% or less — Indicates a healthy long-term debt position. You have enough assets to offset your debt. However, this does not mean your cash flow is good. You may be "land poor," which means you might need to liquidate an asset for daily expenses in the coming months.

30 - 50% — Means you have a stable situation, although you would benefit from resolving some of your long-term debt. Pay special attention to debts incurred against depreciating assets, such as cars. As these items decrease in value, your current ratio will also suffer.

50 - 100% — Indicates that you may be overextended. Now is the time to stabilize your situation, before it gets worse.

100% + — Ouch. You have a negative net worth. You need to resolve this situation now, before it pulls you under.

LIFESTYLE VS. PEACE OF MIND

Now that you know your "big picture," it's time to think about your values. One of the hardest parts of living on a reduced income is the emotional toll it takes. Sometimes our self-worth is so firmly tied to our net worth that a financial setback ruins us emotionally. If that is true of you, you will find this advice difficult to take:

LIGHTEN UP!
IT'S ONLY MONEY!

Money comes and money goes, and it will do that for your whole life. But peace of mind is a precious commodity that shouldn't be squandered. You will need to decide early in this process to protect your peace of mind first and foremost.

Think about how you use your money once the essentials for housing and food are paid for each month. Now imagine your life without those extras. Pretty bleak, isn't it? That's what most people picture when they hear the words "cutting back" or "budgeting." They think of losing convenience, prestige, entertainment, or the extras in life.

This is faulty thinking that will cripple you in the months ahead. You must divorce money from this central role in your life, or every budget decision will be wrenching.

For example, don't allow money to be the only means to entertainment. If you break that equation, you will open your eyes to a world of free, fun things to do. Likewise, money does not really buy prestige. There are plenty of well-heeled people who are not well-respected. Nor does money really buy convenience. It's almost as much trouble to buy and fix a boxed dinner as it is to prepare extra servings of a meal to be frozen for later use.

The short-term goal of this book is to help you stabilize your finances and survive the months of unemployment ahead. But the long-term goal is to move beyond survival to prosperity. If you can learn to break your dependence on money, to make it your tool and not your mast r, you will have attained true wealth.

Chapter THREE

How Bad Is It?

YOUR UNEMPLOYMENT TIMELINE

How long will you be unemployed? That's (maybe literally) the $64,000 question. If you knew that, this budgeting thing would be a snap.

The length of time between jobs is important because you will be stretching your resources for that period. In fact, one of the most common mistakes made by job-seekers is to assume they will be re-employed quickly. Under this assumption, they don't cut back on expenses until it is almost too late. Some people continue to use their credit cards because they believe they will be employed before the bill comes due!

Since you don't have a crystal ball, you'll have to use common sense and caution to deal with the uncertainties of unemployment. Statistically speaking, you can expect to be out of work between 6 months and 2 years, depending on your industry, your income goals, your community, and your luck. Decisions to delay the job search for training also play a part, as do side-trips into self-employment and consulting.

If this seems like a long time:, consider this: the biggest factor in this equation is you. One study shows that the average job-seeker spends only 5 hours a week actively seeking work. That's not much! The more you put into your job search, the quicker you'll be hired. For more information on effective job search, read the books ***5 Steps to Your Next Job*** and ***Cracking the Hidden Job Market*** in the Pocket Job Series.

In the meantime, let's assume you are actively seeking work, and will achieve success in 6 months to a year. On this schedule, you will need to create a spending plan or budget that stretches your resources for up to 12 months. You might also decide to revise that plan in 6 months to make use of new projections you can make for your job search at that time.

TROUBLESHOOTING: ARE YOU ALREADY BEHIND?

How did your current ratio and net worth turn out? Are you already stretched financially, or behind on bills? If so, you need to handle the immediate situation before you can make a budget for the short- and long-term. Here are some steps you should take immediately if you are behind on your bills.

- Seek professional budgeting help.
- Contact your creditors and tell them you're working on a solution.
- Create a payment plan that gives a little bit to everyone. This will buy you time while you work out a long-term solution.
- Prioritize your bills according to the oldest, the costliest (in terms of interest and late fees) and the most damaging (in terms of credit reports and collections).
- Pay something on any bill that's nearing 90 days.
- Return anything you can for credit on your credit card bills.
- Stop using your credit cards. Put them in a loaf pan full of water in the freezer.

- Take a part-time job immediately.
- Consider selling an asset to pay off a debt. But seek advice first.
- Use consolidation loans as a last resort. They tend to increase indebtedness in the long run.
- Consider bankruptcy. Then forget about it. Unless you are in serious trouble, this "solution" will cause you much more harm than it's worth.
- Don't give up. The average person can free themselves from debt in 18 to 24 months, excluding their mortgage and car payment. Unemployment makes this a difficult task, but by no means impossible.

MAKE A BUDGET

Or call it a spending plan, if you prefer. A budget is simply a tool for deciding how you will spend your money, so "spending plan" is an appropriate name for it.

To start, you need to know your expenses and your income. Use the forms on the next pages to help.

INCOME

Unfortunately, this might be easy to figure! Still, you probably have some sources of income besides that missing paycheck. Fill in any blanks you can. Be sure to use a monthly figure. If you are married, or share expenses with a partner, include that person's income as well. Fill in the columns for 6 and 12 months in the future, being as realistic as possible.

Current monthly income		In 6 Mos.	In 12 Mos.
Rental property	$ ______	$ ______	$ ______
Wages	$ ______	$ ______	$ ______
Odd jobs	$ ______	$ ______	$ ______
Consulting	$ ______	$ ______	$ ______
Child support	$ ______	$ ______	$ ______
Alimony	$ ______	$ ______	$ ______
Disability	$ ______	$ ______	$ ______
Interest income	$ ______	$ ______	$ ______
Food stamps	$ ______	$ ______	$ ______
Unemployment	$ ______	$ ______	$ ______
AFDC	$ ______	$ ______	$ ______
Union benefits	$ ______	$ ______	$ ______
Total monthly income:	$ ______	$ ______	$ ______

EXPENSES

Now you need to list your monthly expenses for your household. Use the list on the next pages to help as you write your own categories on pages 28-30. Calculate your expenses for 6 and 12 months in the future as well.

Here are some tips to help you.

- To calculate pocket money spent each month, have each family member tell you what they spend in a week on daily purchases, such as cigarettes, newspapers, pop and candy. Then multiply that figure by 4 to get a monthly figure. Add up everyone's monthly pocket money to get the total amount spent each month in that category by the family.

- Don't forget annual expenses, like property taxes or car insurance. Calculate a total figure, than divide by 12 and put that down as a monthly expense. In a perfect world, you would set aside that much each month, so it is a type of monthly expense.

- For variable expenses, such as groceries, do your best to give an average monthly figure. When in doubt, use a higher figure rather than a lower one.

- For all expenses, use very specific categories. For example, don't use "utilities." Instead, use "water," "electricity," etc. When it comes to cutting expenses, you will need to consider each category separately.

Here are some expense categories to consider before you fill out your own page.

Expense categories

Fixed Expenses (the same amount each month)

Mortgage or rent
Vehicle loans
Home equity loans
Student loans
Other loans
Medical/dental payments
Health insurance
Property taxes
Tuition
Child support
Alimony
Charge cards
Car insurance

Variable Expenses (fluctuate each month)

Water
Garbage
Electricity
Gasoline
Bus/cab/subway
Groceries
Movies/sporting events
Day care
Lunch for work or school
Pocket money
Appliance repair
Clothing
Laundry
Gifts
Pet food
Books/tools/supplies for school

Sewer
Gas/propane
Telephone
Car taxes
Long distance calls
Eating out
Hobby expenses
Prescriptions
Kids' allowances
Vehicle repair
Cable t.v.
Dry cleaning
Hair care
Kids' activities
Kids' lessons
Pet care
Church donations
Vacation/travel

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Monthly Expenses

Fixed Expenses

	Current	In 6 Mos.	In 12 Mos.
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
Total:	$	$	$

Monthly Expenses

Variable Expenses

	Current	In 6 Mos.	In 12 Mos.
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
________	$ ________	$ ________	$ ________
Total:	$ ________	$ ________	$ ________

Monthly Expenses

Variable Expenses

	Current	In 6 Mos.	In 12 Mos.
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
	$	$	$
Total:	$	$	$

Now summarize your work here:

Current

Fixed expenses = $ __________ /mo

Variable expenses = $ __________ /mo

Total expenses = $ __________ /mo

Total income
(from page 24) = $ __________ /mo

In 6 months

Fixed expenses = $ __________ /mo

Variable expenses = $ __________ /mo

Total expenses = $ __________ /mo

Total income
(from page 24) = $ __________ /mo

In 12 months

Fixed expenses = $ __________ /mo

Variable expenses = $ __________ /mo

Total expenses = $ __________ /mo

Total income
(from page 24) = $ __________ /mo

If you're like most people, your expenses will be higher than your income, especially if you're out of work now. The 6 month and 12 month pictures might be even worse, since your unemployment benefits might be exhausted by then.

Using the lines below, find the gap between expenses and income.

Current expenses	$ ________	-
Current income	$ ________	=
Gap:	$ ________	/ month
Expenses in 6 months	$ ________	-
Income in 6 months	$ ________	=
Gap:	$ ________	/ month
Expenses in 12 months	$ ________	-
Income in 12 months	$ ________	=
Gap:	$ ________	/ month

This gap is what you must work to reduce or eliminate if you are to survive the months ahead. Hang in there! Right now, things might feel pretty hopeless. This would be a good time to take a walk or see a friend. When you feel refreshed, come back and we'll work out a survival — or even prosperity — plan for the months ahead.

hapter OUR

STRATEGY FOR SURVIVAL

Ready? Let's go to work. Your first task is to analyze the figures on your expense and income pages. Let's start by comparing the current gap (on the preceding page) with the gap projected for 6 and 12 months down the road. Does the gap stay the same? Get bigger? Decrease in size? If it stays the same, solutions you implement now will work over the next year. If it gets bigger, you need to apply tougher measures now, to make a cushion for the months ahead. If the gap gets smaller down the road, check your assumptions. Are you counting on a job that may not materialize? You need to be sure you're being realistic, not wishful. On the other hand, if the gap really does decrease, you may be able to start on your path to prosperity sooner than you expected.

CREATING YOUR STRATEGY

Now that you have your data, it's time to make your plan to close that gap. Let's start by looking at your priority assets list from page 11. This is the short list of your 5 most-treasured assets — the things you most want to keep over the months ahead. Using this list, turn to pages 28-30 where your expenses are listed. Now put an asterisk * by each expense that directly relates to keeping these assets.

For example, if one of the assets was your home, you would put a * by your mortgage payment, your home equity loan, your property taxes, and your home insurance. Failing to pay any one of these bills could endanger your home, so you know they are priority bills. But don't put a * by the water, propane, or electric bills. Losing these services would be very uncomfortable, but it wouldn't endanger title to the home itself.

Now review your work. What is the total current monthly cost of items marked with a *? How does that relate to your current monthly income?

Current monthly
cost of priority assets = $ ___________
Current monthly
income = $ ___________

Gap = $ ___________

With luck, the gap is now a positive figure. In other words, you earn enough to pay for the things you most cherish. If that is true, the money left over is what you have to spread over the other bills.

What if the gap is a negative figure? That is, your must-keep assets are more costly than your income? You have two immediate options:

1. Review the must-keep list and remove something. Resolve to sell the house and move to a less expensive home, for example. This is a painful decision, but it's best to make it early in the process. If

you sell now, you can afford to wait a while for the best offer. But if you wait until you're desperate, or in foreclosure, you will have to take any offer you get.

2. Devise a plan to reduce the costs of your must-keep items, or to increase immediate income.

The truth is, you're going to use the second option in either case. But you need to re-visit option one frequently over the next few months. If your ship is going down, you want time to build a raft!

For now, we will assume that your finances can be stabilized with assets intact. We have now come to the basic financial equation that rules all budgets, big and small. If there is a negative gap between income and expenses, you have only two choices:

REDUCE EXPENSES
OR
INCREASE INCOME

That's it. Everyone, from the largest corporation to the child on an allowance, has the same choices if they want to balance their budget.

Your goal over the coming months has two parts.

To balance your budget — to reduce, then eliminate the negative gap between expenses and income.

To increase prosperity — to begin building a positive gap, so there is more income than expenses each month.

REDUCING EXPENSES

Like dieting or exercising, reducing expenses is largely a matter of willpower. We make many of our purchases from habit, rather than need. Your task is to break old, expensive habits and replace them with new, cost-efficient habits. If you have a partner or children, they must also trade old habits for new. Pulling together on this task will strengthen your family. On the other hand, families who can't work together sometimes separate over issues of money. If you foresee trouble, get help now from a financial advisor and/or family counselor.

Your first step as a family is to review the current budget, item by item. You may wish to tackle this task an hour each day for the next week. You are looking for any and all suggestions to cut costs. Careful! You can expect the kids to dislike your coffee or cigarettes as much as you dislike their video game rentals. But everyone will have to agree on some measure of compromise.

Here are some tips to help you.

Variable expenses

Cut 10% — National studies suggest that the average family can cut 10% from each of their variable costs with no significant change in lifestyle. For example, eating out less frequently, or at cheaper places will quickly reduce that budget item. Try this method on paper to see how much difference 10% makes.

Measure value vs. cost — Ask yourself: Did I enjoy that $7 movie in the theater twice as much as I would have enjoyed a $3 rental movie? Or did I enjoy this $20 restaurant meal 10 times more than a $2 meal prepared at home? The answer to these questions is often "no." Asking this question is the first step to breaking habits.

Remember that these changes are voluntary, and possibly temporary — No one is "making you" give up cable t.v., but you may decide it's not a good value for you right now. If that's the case, remember, nothing is gone forever. You can always re-order cable when times are better.

Can I do (or get) this for free? — Get in the habit of asking that question before you make any purchase or buy any ticket. For example, if your lawn mower needs replacement, don't get another one. Ask your neighbor if you can borrow their mower in exchange for cutting their lawn. If you want to see a play or concert, don't buy the ticket. First, call the auditorium to see if they use volunteer ushers. If not, ask if they have same-night, discounted "rush" tickets.

Can I get this second-hand? — Clothing, toys, furniture, appliances, sports equipment, vehicles — almost anything you can buy new is probably a better value if you get it second-hand. The cost of a used appliance might be 10% of the cost of a new one, for example. Sure, it may not last 10 years, but you don't need it to. You just need it to last until you're on firm ground again.

Cut your food expenses — Nowhere is habit more dangerous than in the grocery store. Many families can cut their food bills almost in half by shopping smarter. Here are just a few tips:

- Use coupons, but only for items on your list
- Buy bulk ingredients instead of prepared foods
- Buy the house brand instead of the national brand
- Shop only once a week. If you run out

of something, do without.

- Never buy groceries at a gas station or quick mart
- Use all your leftovers
- Start gardening, canning, freezing, etc.
- Volunteer in a food cooperative in exchange for discounted food
- Buy bulk foods with friends or family and split the costs

There are literally hundreds of tips for eating cheaper. You will need to experiment to find the ones that work best for your family.

Cut your entertainment expenses — By some estimates, we spend as much as 10% of our income on entertainment. That's too bad, because there is no end of free entertainment for the whole family. With practice, you can almost remove this item from your budget altogether. Just a few ideas include:

- books, videos and music from the library
- card games with friends
- movies on television
- high school sports games

- high school plays and concerts
- walks and bike rides
- craft projects using "found" items
- parades and community events

Do I really need this? — This is a tough one. It's easy to say no to a $100 dress, but tough to give up your daily lottery ticket. Yet, in 3 months, your lottery ticket adds up to the cost of the dress — and what have you got to show for it?

Every time you reach for your wallet — for that lottery ticket, a cup of coffee, the daily newspaper, whatever — ask yourself: Do I really need this? What will happen if I don't buy it? Can I put it off until tomorrow? Can I get it for free? Can I borrow it, or make it myself? Can I barter for it or get it on discount? Can I do without?

If that doesn't work, figure the cost of that item for the whole year. A 75¢ can of pop from a vending machine, five days a week, is $3.75 a week. Fifty-two weeks of pop from the machine is $395. That's not so much, until you add in a daily lottery ticket ($365), a $3 weekly magazine ($156), a pack of cigarettes every day ($1,095), the daily paper (about $200)... that's nearly $2,300! Just cutting back to every other day or week on these items would save you a thousand dollars.

Fixed Expenses

Fixed expenses are loans, mortgages, or credit card balances which require you to pay a minimum amount each month. You have fewer options to reduce these expenses, but here are a few you can try.

Request a deferment — The lender may agree to allow suspension of payments while you are unemployed. Interest continues to accumulate, but you are not required to pay anything for a specified number of months.

Pay only the interest — Some creditors may agree to accept interest-only payments for a few months. You'll pay more in the long run, but it will help in the immediate situation.

Reduce the monthly minimum payment — Again, if the creditor agrees to this plan, you will pay more money overall, but you will maintain your credit.

Consolidate several loans into one — This is a risky solution because people often start spending again when the loans are combined into one. On the other hand, you may get a lower monthly payment than the total of the other payments.

Refinance your loan — If interest rates have changed in your favor, you might be able to restructure a loan for a lower monthly payment. This is most easily done while you're still working.

Return or sell the item — If the loan is against a car for example, it may seem simplest to sell the car and pay off the debt. On the other hand, you may owe more than the car is worth. This is tricky.

Share the item — For example, cars and houses can be shared with a friend or family member, in exchange for part of the payment. You lose some control of the asset, but you gain financial flexibility.

Stay in contact with your creditors — No matter which solutions you choose, maintain contact with each of your lenders. The worst thing you can do is to hide from the problem. They will try to help you, if you are honest with them. Look at it this way: They don't want to repossess your things any more than you want them to. They'd much rather have the money.

INCREASING INCOME

Take a part-time job — Since most job-seekers spend only 5 hours a week looking for work, you can take a part-time job, look for work 20 hours a week, and still have the weekends off! Many job-seekers make the mistake of "holding out for the right job." Meanwhile, their houses go into foreclosure. Instead, start earning a wage right away. Even $100 a week will help, as long as it doesn't cost too much in uniforms, transportation or day care. And the job will make your job search more productive. You'll organize your time better, get more leads, and look better to a prospective employer. Also, many states allow you to earn a small income while collecting your full unemployment benefits. Check the rules in your state.

Are your partner or kids working? — Now's the time for everyone to pitch in. A few hours of work on the weekend won't hurt your children. In fact, they will gain pride and discipline when they pay for their own hobbies and activities. If your partner has never worked, now's the time to consider employment counseling for him or her. On the other hand, if there are young children in the family, you may find it more economical for one adult to stay home instead of sending the kids to day care.

Look for odd jobs — Are you handy with a toolbox? Or a pretty good cook? Perhaps you enjoy solving home computer problems. Identify the skills you have to sell, then advertise on local bulletin boards. You won't get rich, but you'll pull in a little money here and there. Don't forget about paper routes, bakery delivery, and other early morning jobs. These get you out of bed each day but don't interfere with job search tasks.

What can you rent or sell? — Now's a good time to look at your spare bedroom or garage. Could you rent a room to a student, or let a car enthusiast use your garage for the winter? Maybe you have some furniture in the attic to sell, or fashionable clothes to bring to the consignment shop. You may even decide to pawn jewelry you don't wear any more, or musical instruments you no longer play. Now's the time to convert those items into cash.

Lean on savings -- You may decide the best way to survive is to transfer a little money out of savings each month. Be careful! The problem with that strategy is that it becomes easy to maintain a high standard of living. If you're not feeling the pinch, you might not cut back on expenses.

Check with the government and non-profit groups — There are dozens of programs you might qualify for, including school lunch programs, retraining funds, food shelves, and even subsidized day care or housing. Yes, some of these programs go by the name of welfare, or public assistance. Swallow your pride and get the facts. The majority of welfare recipients use the system for less than 2 years while they recover from a setback. Roughly 10% of Americans currently use food stamps, including some who work full time.

This is an option you should consider. If a government program helps you get back on your feet, then the system is doing what it's meant to do. To find out more, look in your phone book under "public health," or ask your unemployment representative or church leader for a referral.

A WORD ABOUT HEALTH INSURANCE

Losing your health insurance can be one of the most frustrating aspects of job loss — particularly since stress-induced illnesses increase sharply in the unemployed. Aside from eating properly and exercising, what can you do?

Look into COBRA — COBRA is the federal law requiring your former employer to allow you to purchase health insurance on the company policy for a certain period after your job loss. There are a few snags, however, particularly in the cost. The monthly fee could cost you as much as $500 for a family of four. Ask your employer's human resources department for details.

Look into state-sponsored insurance — Some states have an insurance plan, particularly if you are a low-income resident. Check your state's public health department for eligibility requirements.

Check with your spouse or partner's employer — You may be eligible for insurance as part of a family plan, even if you're not married to your partner.

Look into part-time jobs — Many employers offer health insurance for their part-time employees. This is becoming true even in low-paying customer service jobs, where the employer is trying to control turnover.

Consider a temporary policy — Some insurance providers now offer short-term policies to job-seekers and others with gaps in coverage. These no-frill policies might cost $100 for 90 days, but include only hospitalization/emergency care.

Find the clinics in your area — Health care doesn't need to cost the moon. Visiting a sliding-fee clinic can sharply reduce the cost of routine checkups and "maintenance" care. If you need medication, ask the clinic doctor for free samples. Otherwise, request a generic drug, rather than the more expensive name-brand.

Consider Medical Assistance — If your family's income is low enough, or a family member has serious health problems, you may find you are eligible for public assistance. It's a tough call to make, but you'll be glad you looked into it.

Don't sweat it — If you are fairly young and healthy, and if you have no big-ticket assets, you might decide to go without health coverage until you're re-employed. It's a risk, but with no assets, you have very little to lose anyway. Think carefully before you decide.

10 financial mistakes common to job seekers

1. Not taking a part-time job quickly enough
2. Falling for get-rich-quick schemes
3. Not starting a bare-bones budget quickly enough
4. Not contributing to savings, both during unemployment and after
5. Not maintaining a cash reserve
6. Not asking for/accepting assistance soon enough
7. Underestimating the time between jobs
8. Not thinking creatively to reduce expenses and increase income
9. Relying on credit cards or savings to get "over the hump"
10. Holding out for a great job when a good one will do.

Chapter FIVE

Safeguards for the Future

BUDGETING FOR THE NEW JOB

If you follow good job search technique, you will begin to get offers. Not all of the offers will be good ones, however. Before you even start the job hunt, you need to know your "bottom line." How much can you get by on, for how long?

If an employer offers you a job that pays 40% less than your last position, your first response will be to turn it down. But hold on. When will the first raise come? For how much? Will there be profit-sharing? Pension or health insurance benefits? You need this information to make a decision. If you still have money in savings, for example, and this is a good opportunity, you may decide to take the risk. But if living on those wages will bankrupt you, you can't afford to take it.

When you receive an offer, ask the details, then ask for 24 hours to think it over. Use that time to make out a budget using those figures. If you can afford to take it, congratulations! If not, negotiate for better terms, or turn the job down. For more information on negotiating the job offer, see ***Job Interviews: 10 steps to success*** in the Pocket Job Series.

SETTING LIFETIME FINANCIAL GOALS

Believe it or not, now's a good time to set or review your family's long-term financial goals. Everything's already in turmoil, so you might as well toss some new ideas into the mix.

You may want to check some books out of the library, or see a financial counselor to help with this task. First, identify some of your dreams. Your list might include:

- home ownership
- college education for you or the kids
- European vacation
- a retirement business
- a cabin or second home
- retirement in a resort area

Next, approximate the cost of each item. This will take some research, and possibly professional advice. Don't forget to add something for inflation if the goal is more than a year or two down the road.

Finally, calculate how many years from now you want the goal to happen. Then divide the number of years by the cost of the goal. This is how much you'll have to save each year to make the goal possible. If the cost seems unattainable, go back to the original calculation and ask yourself: Can I do this for less money?

Keep re-figuring until you find a way to get your dream. If it seems impossible, don't give up! Just start your savings plan and keep your eyes open. A solution may appear down the road.

SAVINGS: THE SECRET TO SUCCESS

The secret to wealth is not how you spend your money, but how you save it. Even $10 a week adds up. If that's all you can afford while unemployed, so be it. After one year you'll have $520 plus interest. You can purchase a 12-month certificate of deposit for $500, leaving $20 in the original savings account. After one more year, if your CD earns 6% interest, you'll have $530. If you've been saving your $10 a week, you'll now have $540 in the original savings account, plus interest. In just two years of saving $10 a week, you've accumulated more than $1,070! Imagine how much more you can save at $20 or even $50 a week.

You might think you should apply that $10 to your bills, but think again. Instead, commit yourself to earning an extra $10 each week just for your savings. You might babysit for a neighbor for two hours, or mow someone's lawn, or run errands, or even sell something. Use your other money to pay bills, while continuing to build your savings.

Once you have built a cash reserve, you can use your cash to negotiate lower prices on everything from bank fees to home repairs. This is how the rich get richer. They use their money to lower their costs. But remember: No one ever got rich using credit cards.

RECOGNIZING THE DANGER SIGNS

When your finances are stable again, it will be easy to "forget" how to live cheaply. Old habits are very hard to break. Keep your eyes open for these signs of financial trouble.

— carrying a balance on your credit cards
— not paying your monthly bills on time
— using your credit card for cash advances
— "maxing out" your credit card
— needing a consolidation loan
— paying only the minimum due on credit cards
— using credit cards for daily expenses, such as gas or food
— using a home equity loan for things other than home improvements
— borrowing money from friends or relatives
— not contributing to savings regularly

If you see even one of these signs in your life, stop. Sit down with your calculator and get yourself back on track. You must maintain a strong financial position at all times because you can't count on your job remaining stable.

Chapter SIX

Special Situations

There will be times while you're budgeting when you want to splurge for something special. That's ok, if you have some money set aside for that purpose (such as a "Christmas Club" account). More likely, you will be tempted to take the money from other areas of the budget. Try some of these ideas before you do.

VACATIONS AND TRAVEL

First, check the library. There are dozens of books on free or low-cost ways to travel and vacation. Here are just a few to consider.

Trade houses — Coordinate your vacation with an out-of-town friend. Use each other's homes while you each explore a new city.

Cabin-sit — Offer to make repairs to a friend's cabin in exchange for a week of fishing and hiking.

Volunteer — You and your family members can earn free travel by acting as chaperons, travel guides, couriers, interpreters, etc., on the trip. Check with religious groups, seniors' groups, tour companies, schools, and research expeditions for ideas.

Borrow camping equipment — There are hundreds of beautiful places to camp. With borrowed equipment and an economical car, you can do very well.

Frequent flier miles — Do any of your friends or family members fly quite often? Perhaps they will share their free tickets.

Go off-season — Tickets and hotels are always cheaper in the off-season. Don't accept the first price, especially at the hotel. Ask for the cheapest possible price.

HOLIDAYS AND GIFT-GIVING

Holidays can be particularly difficult for the unemployed, partly because of the emphasis on gift-giving. Again, check the library for low-cost gift ideas. Here are a few to get you started.

Cards — A nice card will often substitute for a gift. Take some time to put your feelings in the card.

Heritage gifts — Do you have a piece of grandma's jewelry that a daughter would cherish? Or a handmade tool from your father's set? Wrap the gift with care and explain its significance when it's opened.

Gifts of time — These are especially good gifts for the elderly, the young, and the harried. Make coupons offering your services over the next year, and enclose them in a nice card. Examples of services include home repair, child care, errands, meal preparation... use your imagination.

Gifts of talent — If you are a wonderful candy-maker, buy your ingredients in bulk, but give only a little to each person. This will keep the per-gift cost low. Be sure to wrap the gift nicely. Use the same principle to make dolls for the children, or wooden book ends, etc.

ENTERTAINING

If you don't usually entertain, maybe now's the time to start. You need the company of your friends, but they might be afraid to ask you out. They might worry about seeming insensitive, since they know money's tight. Meanwhile, your phone doesn't ring and you feel abandoned! Nip this one in the bud by taking the first step.

Barbecues — You provide a salad and the dishes, everyone else brings meat and a beverage. Borrow volleyball equipment or horseshoes from a friend to keep everyone entertained.

Pot-luck — Remember this old custom? Everyone brings just one dish to share, and the host ends up with leftovers. Or try it for potluck lunches: everyone brings lunch fixings and you all end up with a week's worth of lunches.

Video night — Invite your friends over to watch a movie on the VCR. Maybe one of them will bring a movie from their collection. You provide the popcorn.

Bridge night — What could be cheaper than bridge? Start the game after dinner and all you provide are the beverages.

NATIONAL RESOURCES

Consumer Resource Handbook (free)
Write to Consumer Resource Handbook
Pueblo, CO 81009 • 719-948-4000

Credit Bureaus

Equifax
P.O. Box 740123, Atlanta, GA 30374-0123
1-800-685-1111

TransUnion Corporation
P.O. Box 7000, North Olmstead, OH 44070
312-408-1400

TRW
P.O. Box 749029, Dallas, TX 75374
1-800-392-1122

Financial Counseling

Consumer Credit Counseling Service
For an office near you, call 1-800-388-2227

Extension Service
Check your phone book for the county extension office near you. Then call for free/low-cost financial management advice

Food cooperatives

Check your yellow pages for a coop in your city, or look in the white pages for SHARE or FARE SHARE offices. This is a nationwide, community-based discount food-buying cooperative.

BIBLIOGRAPHY

Helpful books for job seekers

From the *Pocket Job Series*, Prototype Career Press:

5 Steps to Your Next Job

Resumes Etc

Cracking the Hidden Job Market

Job Interviews: 10 steps to success

Job Search Over 40: Selling to your strengths

Other helpful books

Making the Most of Your Money, Jane Bryant Quinn, Simon & Schuster

Recession- and Depression-Proof Careers and Businesses, Roger Kessinger, Kessinger Publishing

Surviving Unemployment: A family handbook for weathering hard times, Cathy Beyer, Henry Holt & Co.

The Tightwad Gazette, Amy Dacyczyn, Villard Books (monthly subscription, $12 to RR1, Box 3570, Leeds, ME 04263-9710

The Ultimate Credit Handbook, Gerri Detweiler, Plume Books

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