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Laid Off? Here's How to Get Your Finances in Order

Don't let emotions overrun your financial security

By DANIEL BORTZ

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A layoff can leave you frustrated, confused, distraught. You might panic at the thought of having to find a new job in this tough market. But a job loss doesn't have to mean your expenses spiral out of control—so long as you take the right steps to reposition your finances.

If you've recently been let go, you're not alone. Although the unemployment rate dropped below 8 percent in September, major layoffs have taken place this year, including 8,700 employees from Pepsi, 9,000 from IBM, and 14,200 from American Airlines. In the month of September alone, U.S.-based employers announced plans to cut 33,816 jobs, according to outplacement consulting firm Challenger, Gray, and Christmas.

To get your finances in order, the first step is filing for unemployment. Most states facilitate the process by enabling people to apply online. The average unemployment benefit in 2011 was \$300 per week, which may seem paltry compared to what you were previously making, but it at least helps lessen the load of your expenses. In most states, workers can receive unemployment benefits for up to 26 weeks. Due to the high unemployment period—as of September, the average length of unemployment was 39.8 weeks—some states have extended the benefits past 26 weeks.

To qualify, you had to have been let go from your job due to no negligent action of your own. If you were fired, you can contest the termination with your state's Department of Labor, says Joe Heider, a certified financial planner at Rehmann Financial in Cleveland, Ohio. Those who qualify for unemployment can expect to receive the first check within two to three weeks.

However, Christopher P. Parr, a certified financial planner and president of Parr Financial Solutions in Columbia, Md., warns people not to get too comfortable while collecting unemployment to the point where they don't push themselves to find a new job.

Judy Haselton, a certified financial planner and president of Harmony Financial Advisors in New York City, suggests people take a step back and sort their concerns into three categories: what they can control (e.g., discretionary spending), what they can manage (e.g., anxiety), and what they can monitor (e.g., accumulation of debt). "By addressing your fears and doing something about them, you'll reduce your stress level," Haselton says. "People have a hard time making good decisions when they're stressed out."

You can alleviate those fears by tightening your budget. If you haven't created a budget, you can build one using a free website like Mint.com, which syncs all your financial accounts into one place. Despite how unpleasant it may be, you need to separate your wants and needs, and cut out discretionary spending. Not only will eliminating things like luxury shopping and premium cable TV help your budget, but it will put you in the right money-saving mindset.

People can turn to an emergency fund to temporarily relieve financial pressure. Proper emergency funds contain three to six months of cash to cover minimum monthly expenses. However, Bankrate.com estimates that nearly a third of Americans can't tap an emergency fund because they don't have one.

Fortunately, those without an emergency fund have several ways to generate cash flow. One option that Heider suggests is for people to shift some of their money from stocks into fixed-income alternatives such as bond funds. Although interest rates are low, bonds produce a steady source of income. If you don't have a rainy-day fund, says Heider, you can take gains you've accumulated and invest them in a money-market account—although they're currently yielding next to nothing, they're a safe place to store and draw money from to pay bills while you're unemployed, he says.

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