STRESS Taking Charge

COPING with Unemployment

When Ellen got home from work, she could sense that something was wrong. Her husband Jim was home before she was, which was unusual. Jim was sitting in front of the television set looking sort of dazed. Jim's manager had called him in that afternoon and explained that the company was closing his section as a part of their "rightsizing" efforts, and that his last day on the job would be two weeks from today.

The loss of a job can be devastating. Taking charge in those circumstances means taking stock of your resources to survive the immediate situation and bring about a positive future.

Unexpected unemployment from company downsizing can be one of the most stressful events in a lifetime. The loss of a job affects everyone in the family, not just the family member whose job has disappeared. The effects of job loss are:

- economic (there is less money)
- emotional (grief or anger are common reactions)
- social (more disagreements among family members about coping with the situation).

Although no single activity (short of getting another job that is equal to or better than the old one) can make the stress magically disappear, taking positive steps can help ease the pain and get you on the road to recovery.

To cope with unemployment or sudden income loss, you can do specific things to help manage until you find another position or until business picks up.

Include All Family Members in Open Discussions of the Situation

It may be tempting at first to spare your family the pain of your unemployment. You probably will not be successful, however, because they can sense that something has changed. Not being told what is happening can be worse than hearing the news.

Everybody will need to work together to manage the family's limited resources. Even the youngest child can turn out lights, recycle and reuse goods.

If you are married, make time to talk with your spouse. Take walks, have breakfast before everybody else is up, or set aside time after the children are in bed.

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Take Care of Yourself

A job loss may change the way you think about yourself. Developing positive habits can play a major role in maintaining or regaining your self-confidence and moving ahead.

- Pay special attention to what you eat; emphasize whole grains, vegetables, and fruits. Go easy on sweets and fats.
- Exercise. A brisk 20-minute walk three to five times a week can do wonders.
- Avoid excessive use of alcohol and cigarettes.
- Use your time productively. Take time for something you've been wanting to do, like building a tree house or making a quilt. Avoid using daytime television as an escape.

Match Spending with Income

One of the most important family discussions will be about spending priorities. Start the discussion by listing all income that will be received. (See PM 1454a-b, Money Mechanics: Spending Plans.) Then list regular commitments, like mortgage or rent, car payments, and other debts. Estimate the cost of variable expenses, like food, utility payments, and gasoline. If you have records of those expenses, this job will be easier. Without records, keeping track for a month or two may be an essential first step.

Now compare income to expenses. Can you meet your regular commitments and the variable expenses? If the answer is "No," where can you cut? Consider refinancing your home mortgage, perhaps opting for a longer term (30 years).

Look for Additional Money

If your family's remaining income cannot cover your needs, first look for additional funds to tide you over. Could you sell assets, like an automobile or recreational vehicle? Can you draw from your savings?

A second, riskier option is to use credit lines that are open to you. Borrowing against your home equity is a source of cash, but could result in the loss of your dwelling if you cannot repay the loan. Charging the maximum on credit cards, another source of credit, may make the situation worse.

Be wary of consolidation loans that roll all of your outstanding consumer debt into a single loan with one monthly payment. Make sure the interest rate is the same or lower than the interest rate on your current loan.

Talk to Your Creditors

If it is clear that you will not be able to meet your regular obligations, contact your creditors (including your mortgage lender) prior to the due date of your next payment. Almost without exception, your creditors would rather work with you to schedule reduced payments than have you miss payments altogether. The key is to be up front about your financial problems.

Use Company and Local Services

Some companies offer assistance, like career and benefits counseling. Do not let anger prevent you from taking full advantage of these services. If your company does not advertise such assistance, visit with a personnel representative about your questions.

Community agencies that offer services include: Workforce Development Centers for unemployment insurance benefits and job services, the Department of Human Services for a variety of services, including Food Stamps, income assistance, and Public Health for Women, Infants, and Children (WIC) benefits. Some faith-based and other nonprofit groups sponsor food pantries and thrift shops. Financial counseling and mental health services also may be available. Your local Iowa State University Extension and Outreach county office can help you locate such services.

Benefits

Unemployment also means the loss of benefits, particularly health and disability insurance. If another worker in the family is eligible for health insurance through his or her job, you may want family coverage through that person's employment.

If your company has more than 20 workers, federal regulations require that you be permitted to keep your health insurance for up to 18 months. This is called COBRA continuation coverage. If you have COBRA coverage, you can keep it or decide to buy a Marketplace insurance plan (see www.healthcare.gov). When you have COBRA coverage, you usually pay the full premium. When you get health insurance through the Marketplace, you may qualify for lower premiums based on your income. However, you must select a plan within 60 days before or 60 days after losing job-based coverage.

If you have contributed to a 401(k) supplemental retirement program and have borrowed against your contributions, you will have a period of time after your job ends to repay the loan. Not repaying the loan can be costly. The 401(k) contributions are before-tax monies; unpaid loans from the fund (when you no longer are employed by the company) will be taxed as income. If you are under age 59 1/2, you face a 10 percent penalty. One good reason for taking out a home equity loan is to pay off a loan against your 401(k) contributions.

But suppose you have not borrowed against your 401(k) program and you have the opportunity to withdraw your contributions in a lump sum. Should you do it? Except under very unusual circumstances, it is not a good idea, for several reasons. The money will be taxed as regular income, and you may have to pay an additional penalty.

These steep penalties encourage you to build a substantial nest egg. Small amounts of money that are allowed to accumulate over time will create a much larger fund than contributions invested closer to retirement. You may want (or you may be required) to move your 401(k) contributions to a rollover Individual Retirement Account (IRA) when you leave your job. Check with the personnel department for requirements and procedures for the rollover, and follow them exactly. Otherwise, you may make a mistake that requires you to pay income taxes and penalties without having the use of the money.

For more information visit the ISU Extension Online Store at: store.extension.iastate.edu

Make Plans for the Future

You also need to decide about future employment. Some questions to be answered are:

- Do you want another job? Does your family need your income to make ends meet?
- If you need to generate income, what are your chances of finding a different job near your home?
- Do you have the skills and experience needed for the job you want? Is a training program available to help you prepare for that job?
- Will starting a business use your skills and interests to generate income?

Try to prepare for future downturns. Set a goal to have an amount equal to three to six months' pay in savings that you can readily access. Do not carry balances on credit cards. Pay off other consumer debt quickly. Keep your job skills up-to-date.

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