

Managing in Tough Times



LOST YOUR JOB: FINANCIAL SURVIVAL TIPS

Losing a job can be emotional, stressful and financially devastating. It does not matter if you are male or female, married or single, young or old, experiencing job loss is very difficult for individuals and families. If you have an established emergency fund of six or more months of living expenses set aside, then you can afford to continue life and spending as usual for a while to recover from the initial shock of your job and income loss. Unfortunately, those without an emergency fund cannot afford very much recovery time, as they need to take action sooner rather than later. What can you do to survive in tough economic times, especially when you have lost your job?

Although you may want go on with life as usual, stop spending immediately while you identify and prioritize what you must spend for needs, and greatly reduce or eliminate what you spend for wants.

Needs are food, shelter, utilities and transportation. Wants are the other costs like entertainment, eating out, new clothes or travel that is not job related. Look for ways to reduce the cost of your food, housing, utilities and transportation. Can you carpool, pay less rent or share an apartment with another person, or not heat (or cool) some rooms to reduce utility costs? It is important to be creative and rigorous about cutting costs while you are job hunting, and also to identify assistance so you can survive financially during your unemployment. Take action immediately to control your spending and come up with a plan to deal with your most important needs. Look around and ask for help before your financial situation gets out of your control. Here are some suggestions:



FIRST THINGS FIRST

As soon as possible, file for unemployment benefits and contact the Department of Children and Family Services to determine the eligibility requirements for government agencies, food stamps or any food commodity distribution programs. During a crisis, check to see if any you qualify for any crisis assistance programs. Identify and contact non-profit assistance programs that might be available through churches, the United Way or a food pantry in your community. Take advantage of any free or reduced-price school breakfast or lunch programs. Make a list of your creditors, contact them and explain your situation to avoid eviction, having your utilities turned off, having to pay late fees, etc. Write down who you spoke to, the date and their instructions. Many are in the same boat, so ask your family for help even if all they can give you are moral support and suggestions. Now is the time to work your network of family and friends to see who has heard of any possible job openings. Put the word out for help.

BANKING

Change your accounts to a bank or credit union that has free checking and does not charge fees. If you have equity in your home that you can access with a home equity loan, you may be able to use that equity as your emergency fund while you are unemployed. Be sure to comparison shop at four or more banks and credit unions to get the lowest annual percentage rate (APR) and fees. Just remember that if you cannot make the payments, you will lose your home.

CHILD CARE

When job hunting, start by visiting websites and job boards. This saves time and gas and requires no child care. Call United Way to ask if they sponsor a need-based, reduced-fee child care center. Swap child care with another parent. Form a child care co-op with other parents. Some job training programs offer child care to participants. Carpool with other parents. See if you can qualify for Head Start or the Child Care Assistance Program or get a trusted family member to babysit while you are job hunting.

DONATIONS/MEMBERSHIPS

Make gifts instead of buying them, and reduce your donations and giving as much as possible. See if you can get refunds on prepaid subscriptions, dues and memberships.

FOOD/SHOPPING

Avoid convenience stores and shop at the food stores with the lowest prices. Comparison shop for the best price on everything you buy. Plan meals for a week, always shop with a list and shop sales. Pack lunches, snacks, coffee and soft drinks. Buy generic, bulk or store brands for the items you use. Avoid spending to eat out or to buy drinks or snacks. Use leftovers. Get serious about giving up any expensive and unhealthy addictions like smoking. Postpone buying new clothes and replace dry-clean only items with washable clothing when possible. Avoid impulse buying (don't carry cash with you if that helps you to stop spending it).

HOUSING

Call your lender to find out if you can renegotiate your mortgage. Call the Department of Housing and Urban Development at 1-888-995-4673 for free housing counseling. Find out if you qualify for rent assistance or reduced cost housing. Call at least four insurers to get quotes for the same insurance coverage. Can you rent out a room in your home or share an apartment to save on rent? Some single parents are trying shared housing, working different shifts and sharing child care to save money. Now, more families may be sharing the same roof due to job losses. Is there a family member you can live with, at least temporarily, while you are unemployed?

INVENTORY AND LIQUIDATE

What do you have of value that you can sell to raise cash? Do you have an extra vehicle, a boat, a recreational vehicle, a vacation home, time share or something of value that you could sell or give back to the lender to avoid having to make payments? Do you have broken gold jewelry that you might be able to sell for scrap? Consider selling non-critical electronic devices through an online auction service.

PHARMACY/MEDICAL

Take advantage of less expensive generic drugs or over-the-counter alternatives if they are available. Consider using discount mail-order pharmacies for your long-term prescriptions. Eat right, exercise and brush and floss to keep your good health and reduce costs for medical and dental care. There is stress associated with job loss and reduced income. Talk to someone and find healthy ways to reduce your stress so you don't develop stress-related health problems. Find and use free or reduced fee clinics. Some medical and dental schools offer low-cost care.

RECREATION

Take advantage of free activities like public parks, playgrounds, museums, concerts, church and school events. Use the public library for free, especially for books, music, movies and access to the Internet. If you entertain at home, make it potluck so everyone brings and shares something.

SERVICES

Discontinue any service you've been purchasing that you can do yourself such as house cleaning, lawn mowing, laundry, ironing, oil changes, carwashing, hair and nail care, etc. Find out if you can swap a service with somebody if you don't think you can do some service yourself, like car maintenance.

TELEPHONE/CABLE

Call and ask your carrier to review your usage and determine if you can save by going to a less (or more) costly plan. Are there calling features or services you can afford to discontinue? See how much you can save by going from expanded to basic cable service. Call several phone and cable providers in your area for quotes and ask what you can save with a bundled package.

TRANSPORTATION

Can you share rides, walk, bike or use public transportation to save on gas, insurance or parking? Reduce how much you drive. Compare gas prices at different stations and use the lowest octane recommended for your car. Save gas by driving slower and keeping your tires properly inflated. Call at least four insurers to get quotes for the same auto coverage. Can you save on insurance by raising your deductible? Consider the savings associated with dropping the collision insurance coverage on older vehicles. Wash your own car. Plan, organize and reduce the number of trips for errands and shopping.


TAX CREDITS

Be sure to file for your tax return and take advantage of free tax preparation (1-888-LA-HELP-U). Determine if there are any tax credit payments (i.e., Child Tax Credit and Earned Income Credit) you may be eligible to receive. Use free VITA tax preparation services in your community.

UTILITIES

Find out if your utility company has a budget or cost-savings plan to average out annual utility costs on a monthly basis. Ask if they have any assistance programs. Find out their rules about service disconnects and deposits. Turn off or unplug any unused lights, TV and electrical items in your home. Adjust the thermostat and dress appropriately for the season. Don't heat or cool rooms you don't use. Use fans to cool and circulate air. Take shorter showers. Turn down your hot water heater. Wash full loads and do laundry in cold water. Hang clothes up to dry instead of using your clothes dryer.

WORK



Make looking for work your full-time job and realize that the process also requires some spending. You may need to take a part-time or temporary job while you look for work to help you finance your job hunt.



LAST, BUT NOT LEAST, CREDIT CARDS AND LOANS

Avoid making late payments, which will be charged additional fees and cause interest rate increases. Late payments on one card can increase your interest rates on other cards and with other lenders. If you cannot pay off your entire bill every month, then transfer your balance to a credit card with a lower interest rate. Avoid payday and tax refund loans at high interest rates. Get a rate quote from your bank or credit union to compare costs and get the cheapest loan rate.

Resist the urge, no matter how tempting or convenient, to continue your pre-unemployment lifestyle and simply charge your way through the recession or your unemployment. Economists will tell you that what is good for the country may not be good for you as an individual. Charging and spending might be good for the nation's economy, but definitely not for you. Avoid costly credit spending. It may seem like you have few options, but avoid the temptation to survive by running up the balance on your credit cards. Doing without unnecessary "wants" in tough times is less painful in the long run than the damage to your financial well-being that will be caused by the abuse of credit. The recession and unemployment won't last forever, but getting yourself out of a credit disaster could be very costly and take (what seems like) an eternity.

REFERENCE

Consumer Literacy Consortium; 66 Ways to Save Money brochure

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