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AICPA Financial Advice on Job Loss

- **Conserve Cash.** If you're paying more than the required payment on your mortgage, auto or student loans, pay only the required amount and conserve your cash for your living expenses.
- **Create a new budget.** Budget your expenses and figure out which items can be eliminated or at least reduced. Identify sources of income, including your salary, social security or pension benefits, child support or alimony, and interest and dividends on your savings and investments. Next, list all your fixed and flexible expenses. Fixed expenses are the same every month. These include rent or mortgage payments, credit card payments, insurance premiums, and utility payments. Flexible expenses, like food, gifts, dining out, and recreation can be reduced or eliminated by tightening your belt. If your expenses exceed your income, you need to change one or both. Consider cutting some discretionary spending, taking on a second job, or moving to a less expensive area.
- **Assess your financial situation.** Review your assets to determine the best sources to tap for your cash needs. Set up a plan for which assets you'll use and in what order if unemployment is lengthy. Make sure you understand the potential tax consequences of each.
- Consider purchasing medical insurance outside of COBRA. You may find a better deal.
- Obtain a home equity line of credit. If you think you might lose your job, and you will absolutely have to borrow money to see you through, it is easier to get this type of loan while you're still employed.

- Discuss several benefits with your employer. Ask about severance pay, outplacement services and medical insurance continuation options.
- Make sure you have six – twelve months of living expenses. The rule of thumb used to be three – six, but it's a different world now.
- Contact your mortgage lender as well as your credit card companies to explain your current situation and ask them to work with you. If you continue to run up your credit you could end up filing for a bankruptcy and that will stay on your records for a long time, making obtaining future loans that much more expensive.
- Remember that cash is king. It's going to be harder and more expensive to get credit.
- When you get a tax refund, a bonus at work, or cash on your birthday, put half of it into your emergency fund.
- Establish an emergency fund. Setting up an emergency fund is the best way to prepare for any future financial setbacks. Consider the amount of money you need to pay your bills for housing, food, insurance, medical care, and other necessities for six months to a year. Then work at setting aside small amounts each month until you have an emergency fund equal to the amount you would need to cover six months to a year's worth of living expenses. Resist the urge to tap into this money unless you are facing a real financial crisis.
- **Review your Credit Report.** It's important that you monitor your credit report regularly for errors. Order a copy of your credit report from all three of the major credit bureaus: Equifax, 800-685-1111; Experian (888) EXPERIAN (397-3742); and Trans Union, 800-916-8800. If your report contains information you believe is incorrect, contact the bureau and request that they investigate the error. If the dispute cannot be resolved, you have the right to submit a 100-word statement that tells your side of the story.